







France heading for clash on Greek entry to EEC

BY GUY DE JONQUERES, COMMON MARKET CORRESPONDENT

FRANCE APPEARS to be heading for a confrontation with Britain and other EEC members over its outspoken insistence that the European Community undertake an extensive reform of its policies on Mediterranean agricultural products before admitting Greece as its tenth member.

The French demand surfaced last week at a routine ambassadorial meeting dealing with the Greek membership application.

Brunner warns again on JET

BY OUR OWN CORRESPONDENT

DR. GUIDO BRUNNER, the EEC Commissioner for energy and research policy, said today that unless the Nine agreed by the end of this month to proceed with the JET thermo-nuclear fusion project the Community would be obliged to abandon the ambitious programme altogether.

The project could only be saved if a decision on the all-important question of a site were taken by EEC Foreign Ministers at their meeting next week in Luxembourg or, in the last resort, by EEC heads of government when they meet in London on June 29 for the European Council.

This is far from the first time that Dr. Brunner has issued an apocalyptic warning about the fate of the project during the two years in which it has been haggled over inconclusively by EEC research Ministers.

French moves on direct elections

By David Curry

PARIS, June 13.

THE FRENCH Government seems ready to force through the measure ratifying the EEC agreement to hold direct elections to the European Parliament by making the question a matter of confidence in the National Assembly.

Following the statement by the Foreign Minister, M. Louis de Guiringaud, that the Government would not back down from the project, President Valéry Giscard d'Estaing's spokesman, M. Jean-Philippe Lecat, confirmed that the President was ready to permit the Prime Minister, M. Raymond Barre, to adopt this procedure if necessary.

These statements form part of the weekend war of words between the Government's supporters and the dissident Gaullist Party which is tabling a motion seeking to defer ratification of the EEC accord until the French Government has obtained additional guarantees from its European partners about the strict limitation of the powers of the Community Parliament.

Over the weekend M. Jacques Chirac, the Gaullist leader, went further in his opposition to the measure by suggesting that the whole procedure should be put off until after next year's general election—a move which would mean the postponement of the European elections scheduled for May or June 1978.

While his position received the unanimous endorsement of an Extraordinary Congress of the Gaullists, the impression persists that there is an element of pique over the debate. If the Government makes the ratification a vote of confidence under the French Constitution, the project automatically becomes law unless defeated in a resolute motion. As M. Chirac has indicated that the Gaullists would not support such a motion it is suggested that his main aim is to preserve Gaullist unity by following a hard-line on ratification while signalling to the Government that the way is safe to force the measure through.

If this happened, the Government would get its ratification and the Gaullists would be on record as opposing the measure and would not find themselves compromised in future debates over the powers of the Parliament and the evolution of European institutions.

Even if the direct elections question is resolved with the minimum of bloodshed it bodes ill for relations between the Government and the Gaullists.

Relief as Spanish campaign closes

BY ROGER MATTHEWS

THE SPANISH election campaign ended at midnight amid a flurry of political rallies, bombs in several cities, floods in the North, all the main party leaders on radio and television, and a deluge of posters and leaflets which has threatened to swamp the principal streets of the main cities.

For the next 24 hours, the electorate of 23m., buffeted by promises and warnings, may quickly reflect on what has been gleaned from the past three weeks before going to the polls on Wednesday. By breakfast time on Thursday, the country should know the approximate composition of its first popularly-elected parliament for 41 years.

If there were betting shops in Madrid, it is likely that most money would be going on the Union of the Democratic Centre (UDC) led by Prime Minister Adolfo Suarez. The UDC is expected to win

more seats than any other group in the lower house of the parliament, though not a majority of the popular vote. Pressing hard is the Socialist Workers' Party of Felipe Gonzalez which, according to its militants, could even pull off a surprise victory. But they add in the same breath that if that happens, many of them would be reaching for their passports. Opinion polls suggest that all the other main contenders are trailing some way behind.

Meanwhile, the second phase of the unfortunately named Operation Battering Ram went into effect this morning. This is designed to ensure the safety of all polling stations and to forestall any further terrorist attacks. Army units have been placed on the alert to aid the police and civil guards, and to watch over key government buildings, power stations and communications networks.

In spite of the recent bombings, there is considerable official satisfaction that the campaign has passed off relatively peacefully. To-night several of the main parties are holding typically expensive dinners which will last into the early hours of the morning. Many of the candidates, who three weeks ago were complaining bitterly that the campaign was far too short, are now extremely relieved that it is all over.

Pamela Betts adds from Bilbao: Political violence erupted in the four provinces of the Basque country, as torrential rains cut off large areas of the industrial part of Bilbao, threatening to disrupt polling on Wednesday.

A police car park was bombed to-day in Pamplona, the capital of the Carlist stronghold of Navarre, while four bombs destroyed sections

of railway lines near Vitoria where eye-witnesses have reported substantial areas to be under water.

Although the Government released and exiled a number of political prisoners during the past week, the ETA Basque separatists, like most political movements in the Basque country, are demanding a total amnesty for political prisoners.

ETA sources in San Sebastian said today that there had been tentative talks between the group and the Government. The ETA leaders, in effect, have indicated that it tacitly favours participation in the elections.

THE BASQUES GO TO THE POLLS

Militant but disillusioned

BY PAUL BETTS IN BILBAO

IN A FOOTBALL ground in the suburbs of Bilbao, 5,000 Basques gathered to watch a match and occasionally breaking into song gave Eva Forest an emotional reception. She was released last week after spending nearly three years in jail on undefined charges of political conspiracy. They performed widely in favour of participation in the elections. Right-wing extremists have also been active. Yesterday they bombed the pro-

claimed responsibility for several bombings, which are widely regarded as an attempt by the underground nationalist movement to establish a symbolic presence during the election campaign. According to ETA sources, however, ETA's military-political wing is in quick to police out that the King has visited "all the peoples of Spain" except them, see themselves as a minority voice in any

And most nationalist parties, campaigning for some form of independent Basque assembly, claim that the electoral law is "heavily weighted" in favour of the sparsely populated agricultural areas of the country as against the industrial north. In any case, the Basques, who are quick to point out that the King has visited "all the peoples of Spain" except them, see themselves as a minority voice in any

a derelict Bilbao hotel—some of the squatted among the streets—some of their candidates have now backed out of new groups are formed. Yet the mass of these groups who accuse the PNV of 40 per cent of ineffective and apathetic opposition to the Franco regime are an implicit part of the Splinters of ETA, they have penetrated the labour movement of this heavy industrial area of Spain. They have converted vast immigrant population in Basque cause. The phrase "is a Basque" whether in Castile or Salamanca sells labour in Euzkadi (the Basque nation), is a common one. It is this labour force, mobilised in the first instance as a result of the severe repercussions of current economic crisis which the region, which has been formed into a powerful nationalist voice.

The mass of illegal left-wing parties which have penetrated the labour movement have converted a vast immigrant population to the Basque cause . . . and it is this labour force which has been transformed into a powerful nationalist force.

nationalist radio station of Leyola. Their "encontrados"—or "uncontrolled elements"—have provoked riots.

At six o'clock yesterday evening the son of Javier de Ibarra the Bilbao businessman recently kidnapped by an ETA commando, held a Press conference. He read a letter from his father. In it, his father said: "I offer my life for the conversion of the Basque people into a free people, to demand ransom money and the release of 'espalas' one of their activists, captured last week by French police across the border."

In the township of Amorotzeta—whilst like Gaernica and Durango was razed to the ground by the Nazi "Condor" squadron and is to-day a living symbol of the Basque tragedy—the mother of Galtza Bati was waiting for the return of her son, released late last night from a Madrid jail. The Government is still holding, however, 13 other Basques.

It is in this climate of emotional intensity that the Basque country is going to the polls—polls which many Basques regard as "a party of the people" in the political parties operating in the Basque country, with the exception of the extreme Right and the Communists, have claimed at least verbally that they will not take part in the elections unless political prisoners are cleared.

Spanish Parliament. To-day, in a letter read in all the churches the Bishop of Bilbao, urging people to vote, said the Government had effectively not declared a total amnesty, and that the widespread criticisms against the electoral law were "not without foundation."

The PNV—the Basque nationalist party favourite in this region—has actively campaigned for a large turnout at Wednesday's polls. "Not to vote, would only allow the state-wide parties to win seats and deny the Basques a parliamentary voice," it says. The PNV represents the voice of the Basque Government in Exile, whose president Jesus Maria de Leizola today arrived at St. Jean de Luz, near the Spanish border, to follow the elections.

As for the mass of illegal nationalist left-wing parties—far further left than the Communists denounced as "moderates"—they have formed alliances and put in a quota of so-called "independent" candidates. But these parties—whose initials are splattered in red and black paint on every wall, and whose nocturnal mobile units have painted the towns with murals reminiscent of the Mexican revolution and erected what is perhaps the biggest hammer of the Spanish election campaign hanging 250 square metres over

In the broader political economic background there are priests too—who traditionally have used the pulpit to demand the Government, the police, the region's economic harvest, have announced the escape of France of wanted men, and are now turning over to churches for labour meetings. Two clerics and a former priest are also standing as extreme right candidates.

Most Basque people have illusions about the future. They vote. It's because they haven't done so for 40 years they want to find out what all about, or because they want too much television. The poster in Bilbao that most attention is a series of three poems by a poet of the people on the wall of the skyscraper of the Banco Vitoriano. One poem evokes Christ. "No one has suffered more his ideals." When a cleaner in a woman shouted "hombre, a respect please." The poems still there, drawing square crowds.

On the night of the Spanish general elections, the Bishop of Bilbao are talking of "enbata"—the ill wind that always blows before a storm.

Odds shorten on Cosgrave victory

The Irish Government's chances of re-election on June 16 appear to have improved during the last stages of the campaign, writes Eileen Merritt in Dublin. Her survey published yesterday shows that while Fianna Fail leader Jack Lynch is almost twice as popular as the Prime Minister, Mr. Liam Cosgrave, 43 per cent of those polled believe the coalition Cabinet is preferable to the Fianna Fail front bench, which gained only 34 per cent support.

Yugoslav forecast

Yugoslavia faces "inevitable" political changes, but they will not push the country toward either democracy or one-party dictatorship, according to state Pressidium member Edvard Kardelj (67), considered the probable successor to President Tito, UPI reports from Belgrade. He extolled the Yugoslav system of "self-management pluralism" aimed at democratic decision-making at the level of factories and small communities, and said it must develop further to eliminate the persistent "weak points" of "bureaucratic centralism and technocratism."

No steel recovery

The West European steel industry, hit by falling prices last year, cannot expect a recovery this year, but the industry in the Communist bloc will continue to expand, the United Nations Economic Commission for Europe said yesterday, Reuter reports from Geneva.

Cattle smuggling

Large scale cattle smuggling and a slump in the number of cattle sent for slaughter in the Irish Republic has led the Common Market Commission to suspend border refunds on live cattle traded between the north and south of Ireland, informed sources told Reuter today in Brussels.

Genscher flies for Moscow talks

BY JONATHAN CARR

THE WEST GERMAN Foreign Minister, Herr Hans Dietrich Genscher, flew to Moscow today—reassured that the U.S. does not plan to indulge in a polemical contribution over human rights in the East-West conference starting in Belgrade on Wednesday. One main aim of Herr Genscher's two-day talks with his Soviet counterpart, Mr. Andrei Gromyko, is to lay the groundwork for a long-awaited visit to Bonn by the Soviet Party leader, Mr. Leonid Brezhnev, now expected in the autumn.

But the Belgrade follow-up conference on European Security and Co-operation (ESCS), will also be discussed. Bonn is especially anxious that the East-West atmosphere should not deteriorate through polemics in Belgrade, thereby harming West German bilateral relations with Eastern Europe in general and the Soviet Union in particular. It was partly to obtain re-

assurance on this point that Herr Genscher made an unexpected trip to Washington last week for talks with the Secretary of State, Mr. Cyrus Vance. He was told that while the U.S. would put its views on the human rights issue

A 14-man Norwegian delegation, led by Lovu of the Sea Minister, Jens Evensen, is in Moscow this week for negotiations on Barents Sea fishery problems, writes Fay Gjester. Mr. Evensen will meet Russian Minister for Fisheries Alexander Kabanov to continue talks about regulating fishing in the disputed areas of the sea where Russian and Norwegian boundary claims overlap.

clearly and firmly, it would not do so polemically or at the expense of the other issues to be covered in Belgrade. This is in line with the West German position. While Bonn believes there is still much to be

BONN, June 13

done to implement the Helsinki CSCE decisions, it also sees dangers in pressing the issue too hard too quickly. West Germany would like to see that the number of people German extraction allowed leave the Soviet Union in 1978 the year after Helsinki—treaty a high point, while waiting for German rights in the West German Union have also seen what improved.

They also feel that the publication of the Helsinki declaration human rights in Eastern Europe brought the regimes there under unexpectedly strong international pressure, not least in Germany. A Belgrade conference could bring a backlash, doing benefits already achieved. The West Germans think that must now be done in respect of trade and economic relations and in the West of the so-called "confidence-building measure" in the military sphere. They also call on the Soviet Union to do far more to help the Third World.

In the long run, Bonn believes Mr. Brezhnev's policy, it needs, improved ties with West Germany in particular economic matters. In this context Herr Genscher will also warn his Soviet hosts of the efforts by Moscow or its allies to undermine the position of Berlin. In the words of the Foreign Office official, the Soviet Union's Berlin policy too remains characterised by its mindlessness and lack of vision.

Swiss holdings abroad up

BY JOHN WICKS

ZURICH, June 13.

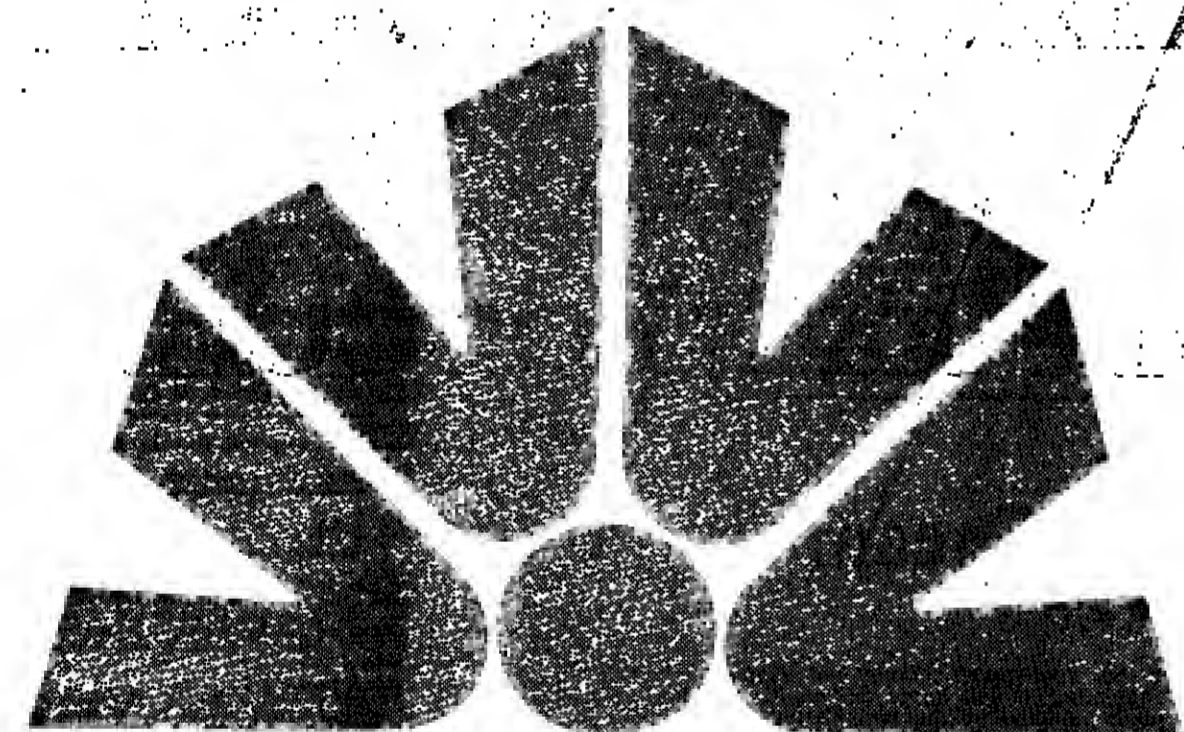
SWISS ASSETS and claims abroad were Sw.Frs.306.2bn. (£17.6bn.) last year, according to estimates calculated by the Union Bank of Switzerland, an increase of Sw.Frs.32.2bn., or 12 per cent, on 1975 levels. The 1976 figure was more than double the country's gross national product for the year and compares with a total of foreign assets in Switzerland and Swiss liabilities abroad of about Sw.Frs.142.5bn., giving Switzerland a net surplus of about Sw.Frs.184.0bn.

As a result of the important international situation of Swiss banks, short-term Swiss assets abroad reached Sw.Frs.151.6bn. last year, a rise of 7.5 per cent, and short-term liabilities increased 11.9 per cent to Sw.Frs.267.5bn. The assets figure included Sw.Frs.73.1bn. bank assets, net fiduciary holdings of

Sw.Frs.75bn. and federal assets of Sw.Frs.1bn. The biggest Swiss holding outside the country, however, was an estimated Sw.Frs.116bn.—worth of foreign securities. This figure was 15 per cent up on the value for 1975.

Direct investments by Swiss interests abroad increased by a further 8 per cent in 1976, says the bank, to reach some Sw.Frs.45.5bn., compared with a 7.5 per cent rise in foreign direct investments in Switzerland to about Sw.Frs.11.5bn. The Swiss economy continues to recover at a modest rate, according to a Credit Suisse report. Export demand is falling slightly but still the major support of the economy, while domestic demand is tending upwards. Industrial production is also increasing.

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AMERICAN NEWS

ITC may hold inquiry into Eastern deal on Airbus

BY STEWART FLEMING

NEW YORK, June 13

THE U.S. International Trade Commission (ITC) will decide within the next two weeks whether to launch a formal inquiry into a deal under which Eastern Airlines will lease at least four A300B-2 European Airbus passenger aircraft from the Airbus Industrie consortium.

Ray caught eight miles from prison

By David Bell

WASHINGTON, June 13.

MR. JAMES EARL RAY, hungry and nearly exhausted after 55 hours on the run, was recaptured early today only eight miles from the remote prison which he escaped on Friday afternoon.

The U.S. mineworkers' president seeks re-election to-day. Stewart Fleming, New York Correspondent, explains why the union is...

United in name only

"No, I don't think Arnold is paranoid. But he must be agitated and even then the industry was no paragon of labour peace—the figure was under 600,000.

... the situation in large sectors of the coal fields adds up to one of the worst examples of business enterprise in the U.S., and it is one that is attracting increasing concern."

Lévesque eases language line

BY ROBERT GIBBENS

MONTREAL, June 13.

THE QUEBEC government has slightly modified its proposals to make French the almost exclusive language of business in the province.

Ray caught eight miles from prison

WASHINGTON, June 13. MR. JAMES EARL RAY, hungry and nearly exhausted after 55 hours on the run, was recaptured early today only eight miles from the remote prison which he escaped on Friday afternoon.

about the union's future is that the industry's three-year labour contract runs out in December of this year. Predictions are widespread that a protracted strike—official or unofficial—is virtually inevitable when the contract expires or shortly afterwards.

Diplomatic First Lady back home

By Our Own Correspondent

WASHINGTON, June 13.

MRS. ROSALYNN CARTER, who has often referred to herself as the "person closest to the President of the United States," returned here last night after a tiring two-week trip which took her to seven countries in the Caribbean and Latin America and covered more than 14,000 miles.

U.S. proposes missile cut

BY OUR OWN CORRESPONDENT WASHINGTON, June 13.

THE U.S. has proposed to the Soviet Union that each nation's strategic arsenal of nuclear missiles be cut by about 10 per cent below the level of 2,400 agreed three years ago, and is also suggesting a ban on the testing of cruise missiles with a range of more than 600 kilometres.

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Clashes expected at OAS

BY HUGH O'SHAUGHNESSY

CLASHES BETWEEN THE U.S. and some of the Parliamentary regimes on the one hand and the Right-wing military regimes of Latin America on the other are expected at the annual meeting of the Organisation of American States (OAS) which opens to-day in Grenada.

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NOTICE to all holders of Carnation Company 4% Convertible Subordinated Debentures Due 1988. Carnation Company has caused its common stock to be split on a two-for-one basis to stockholders of record on June 1, 1977.

Gulf documents warning

WASHINGTON, June 13.

GULF OIL Corporation documents that the company has warned are "potentially embarrassing" to several foreign governments are scheduled to be made public on Thursday and Friday this week by a U.S. Congressional sub-committee investigating the workings of an international uranium cartel.

Argentina, Australia, Austria, Bahamas, Bahrain, Belgium, Brazil, Canada, Cayman Islands, Colombia, Ecuador, France, Greece, Hong Kong, Indonesia, Iran, Iraq, Jamaica, Japan, Kenya, Korea, Lebanon, Luxembourg, Malaysia, Mexico, Morocco, The Netherlands, Pakistan, Peru, The Philippines, Singapore, Spain, Switzerland, Taiwan, Thailand, United Kingdom, Venezuela, West Germany.

OVERSEAS NEWS



The Cinderella status of smaller member nations

BY MARTIN DICKSON

U.K., U.S. recognise Seychelles

VICTORIA, June 13.

BRITAIN AND the U.S. have recognised the new government in the Seychelles...

Several other governments have sent their congratulations to the new government...

The islands, which gained their independence from Britain under Mr. Mancham...

John Worrall adds from Nairobi: The Seychelles Minister of External Affairs and Tourism...

What, then, can the small countries contribute to the Commonwealth conference...

A HEAD OF Government from a small Commonwealth country sat in his room at the Gleneagles Hotel last week-end...

The remark, combining humility with a sense of isolation, may not be typical but it does point up the Cinderella status...

The small countries tend to be ignored, and to be ignored by the Press...

Perhaps partly because of their own hesitancy, some of the smaller States can find it difficult to address the conference's formal sessions...

Mr. C. D. Molepo, the Foreign Minister, believes that with this background, Lesotho had a very relevant contribution to make to the southern Africa debate.

to put across, since The Gambia was the only Commonwealth country to suffer seriously from the 1973-74 Sahel drought...

Attending his first Commonwealth conference, he is still trying to assess the value of the meeting...

President Amin has said: "He will be executed by a firing squad if found guilty."

The 240 British citizens in Uganda have been ordered not to leave the country...

UPI adds: Uganda announced that nine people caught with stolen government drugs will be shot by firing squad.

UPI adds: Uganda announced that nine people caught with stolen government drugs will be shot by firing squad.

Lebanon under pressure as opposing forces close in

BY HSIAN HIJAZI IN BEIRUT

CONCERN is growing here over the tense situation in Southern Lebanon. Lebanese leaders have warned that Israel might exploit the situation...

Mr. Kameel Al Assad, the speaker of parliament, told a press conference last weekend that Palestinian guerrillas must withdraw from the south...

There have been daily artillery duels in the border region between Palestinian guerrillas and their Lebanese leftist allies...

On June 5, the Israelis moved military reinforcements to the border and have reportedly provided more arms and ammunition to the Lebanese Christian militia in such border villages as Qana, El-Ebel and Bemeich.

Despite Palestinian denials of a military build-up on their part, the Israeli army has its headquarters in "swarming" with commandos from various groups, including the Syrian-backed As

Salqa. Nebatiyah is about 12 miles from the Israeli border. Syria has been trying to stop the situation from exploding...

At the same time, Syria has reopened the so-called "Arafat" stretching from South Lebanon to Syrian territory. The Palestinians have been using the

removal of heavy weapons from the camps and relocating them in Southern Lebanon. In change for demobilisation...

UPI adds from Beirut: Christian guerrillas and Lebanese Christian right-wing militia exchanged artillery and tank fire from entrenched positions around several South Lebanese villages to-day...

According to preliminary reports, three persons were killed and five others wounded in the exchanges which included the shelling by Israeli gunners of Palestinian camps in the Golan Heights...

Damascus is reported to be thinking in terms of the bigger strategic picture of the confrontation with Israel. Syrian strategists see South Lebanon as the soft belly of the Syrian flank in the Golan Heights...

trill to bring in supplies and ammunition. Damascus is reported to be thinking in terms of the bigger strategic picture of the confrontation with Israel.

ON OTHER PAGES International Company News Securities Rand IMF borrowing P&F and Raw Materials NY zinc market plan

Anglo American Gold Investment Company Limited

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INTERIM REPORT The following are the estimated results of Anglo and its subsidiaries for the half-year ending June 30 1977...

Table with 3 columns: Estimated for Half-year ending, Half-year ended, Year ended. Rows include Investment income, Deduct: Administration expenses, Group profit before taxation, etc.

NOTES 1. No taxation has been provided, the company and its subsidiaries having computed tax losses at June 30 1977.

(a) Investment income does not accrue evenly throughout the year. Certain costs, particularly those incurred on prospecting and mineral rights, vary materially from time to time.

Table with 3 columns: At, At, At. Rows include Market value, Book value, Appreciation.

(b) Net asset value which includes unlisted investments at book value—cents per share. 3.459 3.037 2.864

INTERIM DIVIDEND Interim dividend No. 59 of 80 cents a share (1976/77) for the year ending December 31 1977 has been declared payable to shareholders registered in the books of the company at the close of business on June 24 1977...

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Poorer countries press for better deal

By Reginald Dale

THE COMMONWEALTH Conference got back into the serious business of world development yesterday afternoon, after the Heads of Government returned to London from their Scottish weekend at Gleneagles.

With only two days left before the end of the week-long talks, the Commonwealth's poorer members were keeping up the pressure for a stronger commitment from their richer partners to a reform of the world economic system in favour of developing countries.

Yesterday's debate was based on a report by a Commonwealth experts group chaired by Mr. Alistair McIntyre, Secretary-General of the Caribbean Community, calling for an "unprecedented international effort" for economic development.

Another report before the conference, drawn up by a committee chaired by Mr. L. K. Jha, the Governor of Jammu and Kashmir, points to a number of areas where the richer countries could help industrialisation in the Third World.

The report calls for much greater efforts by industrialised countries to lower tariffs and non-tariff barriers against developing country exports where progress so far has been disappointing.

Industrialised countries should also make more money available to national and regional financial institutions to promote industrial development, transfer the appropriate technology to developing countries, and provide more information about markets, transport, distribution, and possible investment opportunities.

For their part, developing countries should concentrate on industrial sectors that are complementary to those that already exist in the developed countries. For example, the manufacture of components, the report says, it points out that so far most developing countries have opted for the same products, particularly textiles.

The developing countries should also cooperate rather than compete in the offer of concessions to attract foreign investment, the report urges. Meanwhile, the African countries have tabled a tough draft of a section on industrialisation's final communiqué to be devoted to southern Africa. The Africans are maintaining demands made in speeches last week for a significant stepping up of sanctions, against the white ruled countries of southern Africa.

Tunisia trial The trial of 33 sympathisers of former Economy and Planning Minister Ahmed Ben Salah opened yesterday in Tunis. UPI reports from Tunis. The 33, six of whom are still at large and two free on bail, are accused of plotting against the security of the State in Tunisia.

Finance Minister presents grim economic picture for Pakistan

ISLAMABAD, June 13.

MR. ABDUL Hafeez Pirzada, the Finance Minister of Pakistan, outlining a \$3.7bn. budget for the fiscal year ending June 30, 1978, said that the country's current economic picture is "grim", adding that the 1978 fiscal year will be a "hard year".

Pakistan's Gross National Product will grow only 1.2 per cent in the current financial year, compared with a target of 8.1 per cent and last year's 4.3 per cent, he estimated. There had been a \$500m. loss in cotton production due to floods and insect damage, and another \$500m. loss from political unrest over the parliamentary elections earlier this year.

The growth target for the 1978 fiscal year is 9 per cent. Mr. Pirzada said. But this will be attainable only if the country achieves a 3.5m.-bale cotton crop, a continued flow of foreign aid, and a reform of the world economic system.

The budget calls for expenditures of \$1.7bn. on projects to develop the power, communications, agriculture, water resources and transportation sectors, the Minister said.

Pakistan will depend on foreign aid to the extent of \$1bn. for implementing the development programme. There is \$20m. in the pipeline from such sources as the U.S., the Middle East, and the Soviet Union, but only about \$1bn. of this is available for the 1978 fiscal year.

Pakistan also plans to borrow \$150m. or more from the Organisation of Petroleum Exporting Countries. Officials say Pakistan will not face a shortage of external funds during 1978 but that if more money is not forthcoming in the next few months, it will create problems during the 1979 fiscal year.

Islamabad was expecting \$800m. \$1bn. from the World Bank's Pakistan consortium, which originally was to have met in April. The consortium, which includes the U.S., Western Europe and Japan, put off its session to July 1977 on a Pakistani request, because the Government was not ready with its economic policies and the budget for the 1978 fiscal year.

Later reports have indicated the consortium may not meet until September. Non-development expenditures in the budget for the 1978 fiscal year show an allocation of \$815m. for defence, up from \$798m. in 1977, servicing of foreign loans \$529.8m. (\$338m. in 1977), and food subsidies \$68m. (\$9.3m.).

To encourage investment in the slack corporate sector, the Finance Minister announced, dividends from public companies incorporated between July 1, 1977, and June 30, 1982, will be exempt from income tax. The rate of intercorporate tax in the case of private companies has been reduced to 30 per cent from 50 per cent.

The bank rate was raised to 10 per cent from 9 per cent, the second rise since September 1976. It pushed the commercial bank effective rate of interest to 14 per cent from 13.13 per cent. The projected trade deficit for 1978 is 1.25bn. compared with \$1.55bn. during the current AP-DJ

Yen still rising against dollar

TOKYO, June 13.

THE JAPANESE Yen continued to gain strength against the dollar in Tokyo today as it over on the foreign exchange markets hit \$121.2m. the highest since May 12 when the dollar fell to 270.75 to the Yen in the mid-April, and prevented dollar dealers from predicting Now the same traders are convinced the threshold will hold. If they are right, the dollar could reach the middle 200s the dollar soon.

On Monday's market, American dollar fell for the second consecutive day of trading, closing at a spot rate of 272.75 Friday's close.

The strength of the Yen against the dollar is not expected on the market, some foreign exchange dealers thought. The Bank of Japan would intervene to slow the Yen's rise. So far, according to sources on the market, that has not happened and officials seem to be making good an earlier pledge by Prime Minister Takeo Fukuda to let the Yen seek its own way.

In April, the Bank of Japan had to intervene strongly to intervene against the Yen at that level. Recently, a high Government official told an audience in Brussels that the Yen at 270 the dollar would not be a problem. He added, and the same speaker said good an indication as to where Tokyo expects the Yen to stabilize.

But dealers nevertheless predicting a rise to around 270 on the strength of Japan's continued export boom and the prospect of a trade surplus in the second half of the year. The decline of the dollar the past two weeks on the market has been nowhere as abrupt as the plunge in April. In February, March and April when it was at 270 to the Yen, few dealers think that the Yen will fall the dollar slip at this time, but they guess that it will drop sharply once the 270 barrier is breached.

Still, some dealers point to several crucial tests which will hurt the Yen in coming months. One worry is the conditions in the Japanese domestic market, but above all there is upcoming July 10 election of the Upper House, where the ruling Liberal Democratic Party (LDP) is liable to lose its seat majority according to opinion polls.

If this does happen, however, Mr. Fukuda would probably be able to count on votes of the conservative and middle-of-the-road Opposition parties in the Upper House.

Two people were hanged yesterday morning in Damascus' Central Square, Louis Fares reports. Rami Terhawi and Muhammad Houni Houni were found guilty by the State Supreme Security Court of "contacting a foreign country (Iraq) and receiving money and training to perpetrate sabotage acts and assassinations in Syria."

In addition, they were charged with killing the rector of Damascus University, Dr. Muhammad al-Fadel earlier this year.

Rhodesia arrest Rhodesian police have arrested a 35-year-old U.S. missionary doctor and are holding him under Emergency Powers Regulations, the police stated yesterday. Renter reports from Salisbury, Dr. Selwyn Spray of Mount Sillinda mission at Chipinga, near the Mozambique border, had been arrested on June 5. The police added, giving no reason.

Indian growth declines

NEW DELHI, June 13.

THE INDIAN Government has confirmed that the performance of the economy in 1976-77 was uneven and that the growth rate was less than 2 per cent compared with 8.8 per cent in the previous year. The main reason was the 6 per cent fall in foodgrain production from 121.4 million to 114 million tonnes.

Industrial production, however, rose by a record 10.8 per cent, and exports by 33.2 per cent, which taken with earnings from invisibles, led to record foreign exchange reserves. These, together with the substantial foodgrain stocks of 15m. tonnes, are to be used to restore the "imbalance" in the economy.

Inflation during the year was 12 per cent in a pre-budget economic survey presented to Parliament by Finance Minister H. M. Patel to-day. The Government has announced its intention to check this by increased investment in agriculture and small and rural industries, which, it hopes, will also help to decentralise the economy and end destitution within a decade.

The focus of the survey is on the Janata Government's promises to improve the lot of the country's poorest in the villages. It is promised to create attention to agriculture, irrigation and employment-oriented schemes. But there is no mention of how this is to be done and firm decisions will obviously have to wait until the Government finds its feet.

The survey also says that despite the growth of the economy the standard of living of the people has not improved and "the growth impulse of the green revolution seems to have been exhausted and it has not been possible to replace it with anything in rice or coarse grains."

Noting that there was a small surplus of Rupees 700m. in the balance of trade and that the economy "seems to have almost adjusted itself to the greiv imbalance caused by the oil price

Record oil output in China

Crude oil production in China hit a record peak last month, the New China News Agency claimed yesterday. Renter reports from Hong Kong. The agency said that oil fields throughout the country had recorded an increase of 10 per cent over the corresponding month last year. Following a recent national industrial conference, more oil wells had been sunk and joined the production line, it said. The report gave no production figures.

Meanwhile, Huang Hua, the Chinese Foreign Minister, said that Western European nations should put aside minor differences and strengthen unity to counter the "hegemonic" policies of the Soviet Union.

The thrust of the survey is to outline the Government's plans—but without going into details—to tackle the major problems of unemployment. It feels this is possible only by "substantial increase in agricultural productivity and development of small-scale and rural industries."

Philippine demo About 1,000 anti-government demonstrators, dispersed peacefully in Manila yesterday after being caught by a police cordon inside a catholic women's college for nearly 24 hours, Renter reports. A spokesman for the demonstrators alleged that police arrested a number of people during the rally, which was staged at nearby Quezon City as a counter to official celebrations marking National Day.

Handwritten text in Arabic script at the top of the page.

WORLD TRADE NEWS

U.K. group may bid for Soviet oil project

BY DAVID SATTER

MOSCOW, June 13.

BRITISH engineering company has expressed interest in bidding for the Soviet oil project...

IMEG designed the gathering, gas-treating and pipeline project for the first Iranian gas pipeline in the mid-1960s...

Shipping talks to continue

BY ROY ROGERS, SHIPPING CORRESPONDENT

A HINT of a possible softening of attitudes by the Russians over their controversial merchant shipping...

Bulgaria stepping up imports of Western technology

BY MARGARET HUGHES

PROSPECTS OF stepping up British exports to Bulgaria seem to be improving...

Dubai power contract for Mitsubishi

NICOSIA, June 13.

THE UNITED Arab Emirates has awarded Mitsubishi a \$87.4m. contract to expand the projected power station and desalination plant at Jebel Ali...

The Japanese company will install two steam generator units each with a capacity of 60 megawatts...

Cryoplants wins export orders

CRYOPLANTS, of the BOC group, has won two contracts from Australia...

The plants have been designed to increase the liquid nitrogen capacity of existing air separation plants...

Sale of HS 125

BRITISH Aerospace announced yesterday the sale of the first of its new fan-engine Hawker Siddeley 125/700 business jets to Latin America...

Venezuela drops plan to build eight-cylinder car engines

BY JOSEPH MANN

CARACAS, June 13.

THE VENEZUELA Government has decided on a major alteration to national motor industry policy. It will move ahead with plans for manufacturing four-cylinder and six-cylinder engines...

Dutch offshore industry review

BY MICHAEL VAN OS

AMSTERDAM, June 13.

A MERGER of the extensive offshore construction activities of Holland's three largest companies in this sector is not feasible, says a report commissioned by the Dutch Economic Ministry...

India and Iran discuss rail link

NEW DELHI, June 13.

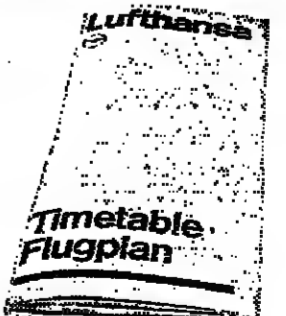
INDIA AND IRAN have held discussions on a rail link from Europe to Calcutta in West Bengal, a project in which the Shah of Iran is understood to be greatly interested...

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Lufthansa German Airlines logo and name.

Israeli co-operation

By L. Daniel

TEL AVIV, June 13. NEGOTIATIONS ARE at an advanced stage for the establishment of a plant in Mexico by Israel Aircraft Industries...

U.K. mission to Mexico

FINANCIAL TIMES REPORTER

A HIGH-LEVEL offshore industry visit at the end of the month to Mexico has been arranged by the U.K.'s Offshore Centre...

West German dumping

WASHINGTON, June 13.

THE U.S. Treasury has ruled that pressure-sensitive plastic imported from West Germany has been sold in the U.S. market at unfairly low prices...

CONTRACTS AND TENDERS

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**Tokyo. 6:07 p.m.**  
K. Furuhashi, Fujitsu (left); and H. Tsurumaki, Bank of America, engage in a thorough review of Fujitsu's expanding program of electronic exports and discuss the necessary documentation.

**Rio. 3:19 p.m.**  
(L to R) J. A. Mano Silva, Bank of America; Frederico Bernardo Muller, Refinaria Duque de Caxias; and Orlando Galvão Filho, Petroleo Brasileiro S.A., meet to analyze the Petrobras expansion program for the exploration and refining of petroleum.

**London. 9:12 a.m.**  
Claire Taplett and James L. Rawlings of Bank of America discuss the role of Bank of America International Limited, the Bank's wholly-owned merchant banking arm, which specializes in investment management, syndications and underwriting.



**Chicago. 10:27 a.m.**  
(L to R) Ken Green, Bank of America; Clayton Banzhaf, Sears, Roebuck and Co.; and Bob Gordon, Bank of America, structure a short-term line of credit to meet the requirements of Sears' Latin American operations.

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# FINANCIAL TIMES REPORT

Tuesday, June 14, 1977

## Lead and Zinc

Prospects for lead and zinc will be reviewed at an international conference starting in London to-day. Present trends suggest that radical changes may lie ahead for these two old and important metals.

New patterns for old metals

By John Edwards  
Commodities Editor

LEAD AND zinc are two of the oldest and most important base metals. They are used extensively throughout industry in a wide range of products many of which are part of our daily life. Zinc is the third biggest non-ferrous metal in volume terms,

after aluminium and copper, with an annual world production of over 5.5m. tonnes that used primarily to protect steel against corrosion by galvanising but also has equally widespread use in the form of diecastings for industrial and consumer products. Lead has a smaller annual primary mine production tonnage of around 3.5m. tonnes. But it is equally important as a major ingredient of batteries, as a petrol additive and in cables, construction, printing type, and chemical compounds and pigments.

They have been mined by man for so long, often as a by-product to copper and silver, that they are almost taken for granted. But, as with so many other things these days, there have been some important changes in recent years that may radically alter future trends. In the past, for example, lead and zinc have always been looked upon as "sister" metals with a close price correlation stretching back over the years, basically because they are often

mined from the same ore concentrates.

But in recent years developments in the two metals have tended to diverge. Many mine deposits have been exploited for one of the metals, with the other either out present or very much a junior partner. This is very much the case with the big Missouri lead belt mines that provide the bulk of the U.S. requirements. Elsewhere in the world there are an increasing number of deposits being mined for zinc primarily; the Tara deposit in Ireland, for example, that has just come on stream will be producing primarily zinc with lead as a relatively minor by-product.

In the smelting and refining process there has been an even greater divergence. For economic and environmental reasons, electrolytic zinc smelting plants have replaced the old dual lead-zinc smelters, so although many mining companies still produce both metals they are available from different sources in refined metal form.

The pricing structure has also become very different for the two metals, although it might move closer again in the future. Theoretically zinc should be more expensive than lead since its smelting process requires more capital investment and costs more. In addition large supplies of lead for secondary use are recovered as scrap.

### Relative

But as any metal market trader will confirm, the price of a metal does not depend solely on its fundamental cost of production. Equally important is the price that buyers are prepared to pay for it—in other words how much it is in demand relative to supplies available.

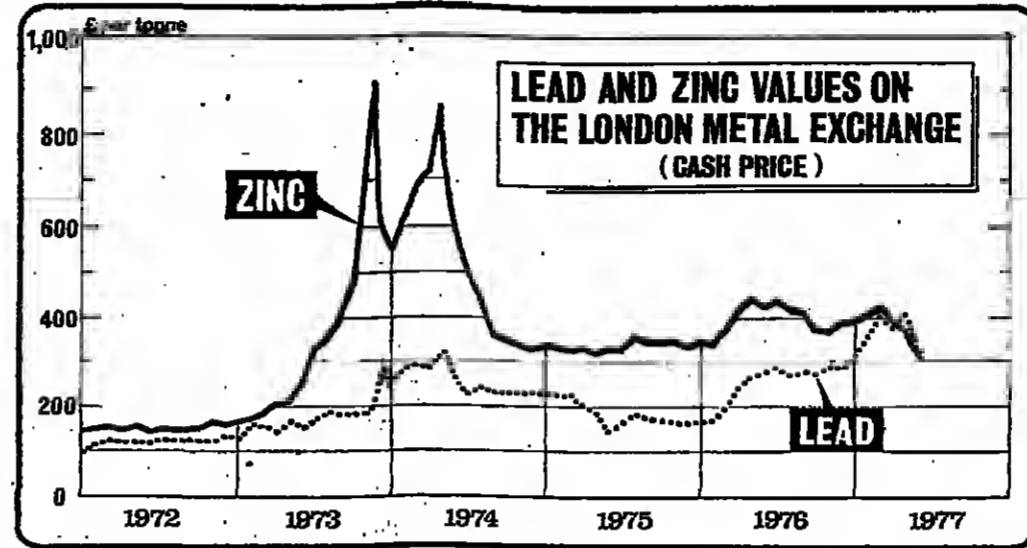
As a result, over the years the lead and zinc prices have criss-crossed each other with zinc being more expensive at one stage and lead at another. A recent example is the price behaviour since 1974 when an acute shortage of zinc forced its price up to over £950 a tonne at one stage on the London Metal Exchange residual market, making it hundreds of pounds more expensive than lead. But this year lead prices have bounded up to establish a substantial premium over zinc, at one stage of nearly £100, although the price of both metals has fallen sharply in recent weeks. The simple explanation is that demand for lead has been strong enough to take up available supplies, while consumption of zinc has been weak and large surplus stocks have built up.

But this very comparison of prices on the London Metal Exchange illustrates another difference between the two metals which has developed since 1963 when the zinc producers decided to stop basing their prices on the daily fluctuations of the London Metal Exchange and to introduce their own "stable" European producer price on which to base their direct supply contracts with consumers. This followed the pattern of the U.S. where the bulk of all non-ferrous metals, including lead and zinc, are sold at prices fixed by the producers, who in turn have to take account of market developments.

In Europe it was considered impossible to introduce a producer price for lead, in view of the large proportion of supplies coming from secondary refiners whose ownership and interests are often very different from primary producers. A producer price for lead in the U.S. is only possible because of the vertical integration there whereby many producers, as owners of fabricating plant, are also major consumers, which is not the case in Europe.

However, the European zinc producer price system worked well for many years reducing the whole of the London Metal Exchange to that of a minor residual market dependent mainly on Communist bloc countries for supplies normally available at a discount compared with the bulk of zinc sold at the producer price, except during the various periods of scarcity when buyers were forced to come to the LME for extra supplies.

One inherent weakness of the system was that the price was the result of unofficial consultations between both primary mine producers and independent smelters, who sometimes had somewhat different ideas about market developments. An independent smelter, using bought secondary or scrap lead in ore concentrates, is mainly



concerned with maintaining his profit margin on the smelting operation, in the same way as a secondary lead refiner, rather than concerning himself with the total return that is of most importance to the primary mining producer.

The result was that there was periodic price discounting during times of surplus supplies, and pressure on the cost of ore concentrates. But on the whole the producer price system was maintained fairly satisfactorily, and generally accepted by consumers. A fatal flaw appeared, however, with the fall in the value of sterling, and the constant changes in the long value of currencies generally, that made a nonsense of an outlet for lead. Past experience, however, has shown that as one outlet declines—as was the case with cables, for example—so it is replaced by a new outlet. This is happening at the moment in batteries, whose growth rate has been slim-

being turned off and on far more easily than cutbacks in mine production planned many years ahead.

At the same time, demand for lead tends to be much more stable, mainly because of the steady expansion in the battery industry which continues, for example, even if new car production falls.

The oil crisis, and the need to conserve petrol supplies, has obviously played a part in discouraging too hasty moves against the valuable role played by lead in raising octane ratings. Nevertheless there is little doubt that in the long run this will be a diminishing outlet for lead. Past experience, however, has shown that as one outlet declines—as was the case with cables, for example—so it is replaced by a new outlet. This is happening at the moment in batteries, whose growth rate has been slim-

Continued on next page

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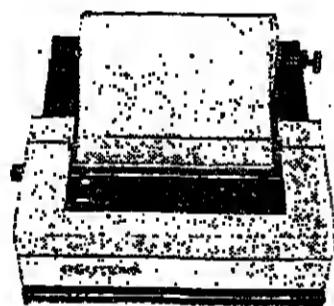
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# Major consumers

## GALVANISING

ALTHOUGH THE protection of steel by a zinc coating—galvanising—is a technique in use since the 18th century it shows no signs of losing popularity to other more modern methods of coating.

The British market for galvanised steel is expected to show continuing growth as demand for steel picks up again. It is clear that zinc coatings in various forms will remain a basic method of steel protection for many years to come.

The questions being asked in the steel industry at present are concerned with the prospect of exciting new technical developments being introduced for the application of zinc to steel. If they can be achieved there is a chance of a market breakthrough which could involve big tonnages of zinc-treated steel being used in the motor industry. If they are not introduced, however, continuing market penetration of galvanised steel is expected.

British Steel, which is the only maker of galvanised steel sheet on continuous production lines in Britain, is providing for a home market of some 450,000 tonnes a year at present. In a good year the level of the British market is reckoned to be some 500,000 tonnes a year. The corporation is also making between 150,000 tonnes and 200,000 tonnes a year of electroplated steel which is thinly coated with a zinc deposit and is much used for internal work and domestic appliances where a heavy galvanised protection is not needed.

One possible breakthrough is for a steel-maker to produce and market steel sheet galvanised on one side only. Such a product would be of world-wide interest to the motor industry. All car makers are searching for ways to defeat the spread of internal rusting from the accessible corners and the interiors of fabricated steel sections of the body and doors. Sheet steel galvanised on one side would be almost the ideal material as the galvanising would provide good internal protection against corrosion and the outside of the steel would be clean for easy welding and high finish painting.

So far the problems of one-side coating have not been solved, although British Steel can produce such sheets in laboratory conditions. Continuous galvanising of cold reduced strip steel involves at present passing the steel through molten zinc under controlled conditions, depositing a coating on both surfaces of the strip.

Another potential revolution in the treatment of steel by zinc is emanating from the U.S., where both Ford and General Motors are using increasing quantities of sheet steel with a special zinc coating. The process is called Zincoform. Instead of the zinc being applied by a hot galvanic process as in normal galvanising the sheet steel is first coated with a finish which has adhesive pro-

erties and then with a zinc-bearing finish.

Demand for Zincoform steel reached 1m. tonnes in the U.S. last year and is expected to reach some 2m. tonnes this year. All steelmakers are watching closely to see whether Ford or General Motors decide to extend its use to some of their European models.

The price of Zincoform steel has been kept at a competitive level to make it attractive to the car makers.

British Steel and other European steelmakers are currently evaluating the system and it is likely that Zincoform lines will be put down in Europe. Meanwhile, British Steel is combining galvanising with organic coatings for steel at a number of finishing plants. The total British Steel capacity for coating strip is now up to some 300,000 tonnes a year, which makes the corporation the biggest producer of coated steels in the world. The two main finishes are Colorcoat, a finish applied to the steel in liquid form, and Stelvetite, which involves bonding a solid plastic coating on to the steel.

In each case, however, much of the steel so treated has first been galvanised. British Steel estimates that about half the steel at present going through its coating lines has first had a galvanised base. Apart from a possible boom in galvanised sheet and other zinc-treated sheet in motor car manufacturing, the steel industry is looking mainly to building and general construction for the main market growth in galvanising, both for sheet and for fabricated steelwork.

Roy Hodson

## CONSTRUCTION

AFTER more than 20 years of declining use within the construction trades in this country—partly because of the emergence of newer materials and partly because of improved building techniques—demand for both lead and zinc could finally have stabilised. Consumption of sheet steel and piping, the largest area of lead use in the construction trades, totalled 79,000 tonnes in 1975. Ten years earlier it had fallen to 69,000 tonnes and by the turn of the 1970s consumption was down to 58,000 tonnes. Last year sales of lead sheet and piping amounted to 48,000 metric tons—roughly the total in 1974.

It is less easy to pinpoint trends in demand for zinc, but a similar pattern of stability of consumption can also be drawn. Over 36,000 metric tonnes of zinc sheet and strip—the types most used by the building industry—were consumed in 1973 and two years later the figure was down to a bare 37,000 metric tonnes. But in 1976 consumption stood at 25,800 metric tonnes.

There are any number of reasons for the relative decline in usage of the two metals in building. But most are economic. Lead is both labour-intensive—needing a great deal of manual attention in its application—as well as being subject to wide fluctuations in price. Much the same can be said of zinc, and as a result the building industry's gradual switch to newer and cheaper building materials has a long history. In recent years this movement has understandably been accelerated by the growing awareness of health hazards—which have in effect lost lead much of its traditional shares of the pipe and paint markets.

But both lead and zinc do have qualities which have stood the test of time. This applies especially to lead. Besides its

anti-corrosion qualities the metal is soft enough to cut with a knife, to be rolled or hammered into sheets or drawn into wires (although it is a poor conductor of both heat or electricity).

Thin sheet lead is used as water-proof wrapping material or for linings; thick lead sheet is used for roofing and for flashing and weathering.

Depending on its thickness, a lead roof can last several centuries, and there are plenty of examples of working roofs of that age dotted around the country to prove the point. Using, say, six or seven pounds of lead to the square foot—which is a thickness of around three millimetres—a lead roof under average corrosive conditions should be in relatively good working order at the end of 2½ centuries of wear and tear.

Understandably the metal is also widely used as a shielding agent. It remains in demand for sound proofing, and is indispensable where shield cladding is needed for X-ray machines and in the construction of nuclear power plants.

Jeffrey Brown

## BATTERIES

THANKS largely to the automotive sector the lead acid battery market experienced a complete turnaround last autumn. Demand rose so rapidly all over Europe that it quickly exhausted stocks, outran capacity and for the first time in a long while forced a number of makers to import. Exports suffered as a result. While the situation is now not so acute, there is the firm prospect that demand will run somewhat ahead of overall capacity during the rest of the year—good news for lead producers and suppliers of pastes and other battery components.

Total automotive battery deliveries increased last year to around 6.2m. compared with 5.5m. in 1975.

The news from makers of lead acid traction batteries is also encouraging. The interest aroused at Movement 75—the mechanical handling exhibition in a new and improved form—particularly electric trucks, which now account for around 60 per cent of the U.K. parc, illustrates the revival in investment intentions. And there is no doubt that buying decisions are being powerfully influenced by the noticeably higher degree of ingenuity designers are evincing, as well as the need to abide by tightening safety and noise regulations. Furthermore, while the higher initial cost of electric fork trucks may be a disincentive, this is offset by the lower maintenance costs compared with an I.C. engine and their attraction on environmental grounds for internal factory and warehouse operations.

Lead acid batteries constitute just over a third of total lead consumption, and with so much encouraging news coming from the chief sectors of the European and North American markets a high level of activity among suppliers of essential components appears assured, even though the entry or absence of Eastern bloc customers, for instance, introduces uncertainty and a strong element of volatility.

Moreover, technological developments seem likely to keep the lead acid battery in its dominant position despite the era of change and challenge. Well over £20m. annually is estimated to be spent worldwide in research and development, but the promise of new couplings like the sodium sul-

phur battery being developed by a consortium backed by the Government seems as far off as ever, while the progress being made in developing "high density" compact lead acid systems which avoid "hot" and "cool" solutions looks like extending them into the next century.

Indeed, there are signs that lead acid is successfully invading a province dominated by the nickel cadmium battery—the fire alarm, standby and emergency lighting market for hotels, entertainment halls and so on. Nickel cadmium and nickel iron batteries offer better performance, but the margin is arguably not always great enough to justify the higher cost, about a third more. At any rate, a pioneer in the field of the "sealed lead acid" (SLA), Gates Energy of the U.S., has doubled turnover of them in the past four years and it would not be surprising to find the company setting up a manufacturing plant in Europe.

But perhaps the biggest market of all that is beckoning lead acid traction batteries is road transport. Buses, vans, personnel carriers and taxis are undergoing field trials and despite the rather disappointing progress a number of big fleet operators, including National Freight, remain extremely interested, if not convinced, in the future viability for limited purposes of this alternative to oil-based fuels.

Peter Cartwright

## CABLES

IN THE PAST power and telecommunications cables have provided a substantial market for lead, which was used for the outer sheathing. Its flexibility and low melting point made it the ideal material for outer protection because joints could be made relatively easily.

Because lead is a well tried and tested material it is still specified in some applications, but in present trends it seems destined to disappear from all but specialised uses before long. In telecommunications, plastic sheathing is taking over very rapidly, and even if lead were to become substantially cheaper there is considerable doubt whether it would be preferred to plastic.

Furthermore, the rapid development of telecommunications electronics will almost certainly mean that less and less emphasis will be placed on traditional types of cable. Microwave links, optical fibres, waveguides and direct satellite communications all promise a revolution in techniques which is bound to reduce the need for cables. Indeed, current research in the U.S. suggests that it may be possible to dispense with wires altogether.

In power cables there is also a move away from the traditional paper covering to plastic insulation, and to plastic cladding to replace lead. However, the main competitor to lead sheathing is now aluminium, which is replacing lead in the cladding of paper insulated cable.

Aluminium, which was introduced when it was cheaper than lead, now has the advantage of being much lighter and easier to handle. Only about a third of power cables are now using paper insulation, but although these cables could theoretically use lead sheathing, most are now moving to aluminium.

There is likely, however, to be a continuing market for lead to supply utilities which continue to specify lead and for the small volume of very high voltage cables.

Max Wilkinson

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## Metals

CONTINUED FROM PREVIOUS PAGE

could increase lead's dependence on the battery market to such an extent that it would be very vulnerable to any technological developments reducing or eliminating lead from a possible new type of battery.

In contrast to lead, demand for zinc has always tended to fluctuate to a far greater extent because of its links with the trend in overall industrial activity through steel galvanising and diecasting, where the automobile industry is the dominant customer.

Without the cushion provided by lead scrap, zinc supplies can move from a position of shortage to surplus, or the reverse, much more quickly. In the past it has often been considered as the bellwether indicating changes in general industrial demand for metals.

But the past few years appears to have brought a significant change. Zinc is under attack in both its main markets—galvanising and diecasting—from substitute materials, stimulated

by competitive prices that took full advantage of the fears raised during the 1974 zinc "boom" and the somewhat inflexible producer price system that failed to respond to market pressures properly.

There is still apprehension among consumers that the lack of investment in new zinc production facilities, because of the depressed prices, would well bring another zinc shortage in the none too distant future.

A destabilising influence on the world market is that the U.S. has become an increasingly big importer of zinc in metal form, since the closure of a large proportion of its smelting industry during the last decade, much more quickly. In the past it has often been considered as the bellwether indicating changes in general industrial demand for metals.

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world to the developing countries where the bulk of future reserves are likely to be found.

At the moment, however, thoughts of a zinc shortage developing are somewhat remote as the industry struggles with a heavy burden of surplus supplies, despite heavy production cutbacks, as a result of continued weak demand.

Lead prices have fallen substantially from the inflated peaks reached earlier this year, when the U.S. cold spell brought a surge of demand for batteries and a temporary shortage of lead. But demand for lead remains reasonably buoyant with battery manufacturers seeking to rebuild their stocks during the traditionally quiet summer months. Whether the summer months will remain quiet, however, for the metal markets generally depends on the attitude of the U.S. non-ferrous metal workers when many of their three-year labour contracts expire at the end of this month.

السؤال الثاني

LEAD AND ZINC III

# Supply prospects

cheerful

THERE IS no frantic rush to find and exploit lead-zinc deposits. The minerals have not the same attraction, the same sharp growth prospects, uranium. The short-term problems of the lead market apart, supplies are likely to be adequate over the next few years.

New capacity has been coming on stream, catching up on the investment made in the expansionist climate of 1972-73, while recently demand has just begun to recover from the international recession of 1974-1975. Long-term, both lead and zinc face threats from the substitution of other materials.

Last year, according to Amalgamated Metal Corporation, production from the lead mines of the western world remained virtually unchanged from 1975 at 2.48m. tonnes, while for zinc there was an increase of 1.9 per cent to 4.8m. tonnes. While the slight changes reflect the international economic situation, the growth of zinc production over the last decade has not in any case been dramatic.

Substantial stocks of zinc exist and, while there has been some rebuilding of inventories, the market has remained depressed and is not expected to pick up until towards the end of this year under the stimulus of the construction industries in the U.S. and Japan.

Lead has behaved rather differently and there has been a shortage of some grades. Last year was generally a good one for the motor industry, which takes about 40 per cent of lead supplies. But batteries installed in 1973, another good motor year, were coming to the end of their life expectancy, and this coincided with extra demand caused by the inclement winter in the U.S. At the same time there has been heavy buying from the Soviet Union and Eastern Europe.

But this state of affairs is thought to be temporary in view of the narrow base of the demand. And there has indeed been a sharp decline in the lead price on the London Metal Exchange. The settlement price declined from a peak of £438 a tonne at the beginning of March to about £300 by mid-June.

### Impact

The position was recently summed up by Mr. Rod Carnegie, the chairman of Conzinc Riotinto of Australia. "In the lead market demand is in line with supply and a small movement of stocks has a dramatic impact on the price. The market for zinc remains soft because worldwide investment demand has not yet picked up," he said.

Once the present difficulties of both markets have been resolved, it is possible to envisage

a modest growth in demand. The U.S. mining house, Amax, predicts that lead and zinc usage will grow at an annual rate of between 2 and 3 per cent over the next five years. Such an increase the mining industry is well able to meet.

At far as zinc is concerned, there is substantial unused capacity available. Mine and smelter production was cut back in 1974-75 and has not been fully restored. At the same time new capacity is coming on stream.

The most significant development in Europe is the start of production at the Navan orebody in Ireland by Tara Mines. "New mines are also scheduled to come on stream in Greece, Spain, Sweden, Turkey and Yugoslavia, adding a further 200,000 tonnes of mine capacity in the 1977-78 period," state Amalgamated Metals.

In other developments, Australian Mining and Smelting, which is part of the Rio Tinto-Zinc group, with the U.S. concerns, St. Joe Minerals and Phelps Dodge, plan to bring the Woodlawn zinc-lead-copper-silver deposit in New South Wales to production next year. Phelps Dodge is also a partner with Gold Fields of South Africa in the development of the Aggeney zinc-lead-copper deposits in the north-west of South Africa's Cape province.

Such projects will also have an effect on lead supplies as zinc and lead are frequently mined in conjunction. Recently there have been major increases in lead production in Mexico and Morocco. A new mine has come on stream in Spain.

The effect will be to lift both zinc and lead mine production. Chartor Consolidated anticipates a small increase in Western world lead to 2.65m. tonnes this

year, while zinc mine production should move up to 4.8m. tonnes.

But the present mining developments outside the socialist economies will not change the relative importance of the sources of the minerals. The U.S., Canada, Australia and the combined deposits of Western Europe will remain the most significant suppliers. The importance of this lies in future trends of investment.

Squeezed by low demand and inflating costs, the mining industry as a whole has become very cautious of major new investment outside energy resources. The plans of Phelps Dodge and Gold Fields of South Africa in South Africa to spend the equivalent of £100m. at Aggeney are rare in their scale.

Operating expenses have increased with the higher price of fuel and the insistent demands for more stringent environmental safeguards. There has been great emphasis put on the toxic qualities of lead. All this has made the importance of a stable political atmosphere of more consequence to the mining companies.

### Changed

The result has been to make the developing countries seem less attractive as sources for the development of raw materials. There has been a fear that contracts, once signed, might be unilaterally changed to the disadvantage of the companies. Only over the past two years have there been signs that a new *modus vivendi* was being reached between governments and companies.

Despite company complaints about taxes and royalties, lead-zinc mining developments in the

major supplying countries are free from this sort of political worry. But other developments are taking place which may not only hinder the expansion of the industry. They may make it unnecessary.

Zinc is already threatened by the use of lighter materials like aluminium and plastics, which have been making inroads into its traditional diecasting markets associated with the motor industry. It is significant that aluminium diecasting production fell less in the depressed years of 1973-75 than zinc diecasting production.

On the other hand new markets might become available for galvanising sheet and for galvanised reinforcing bars, which can be used in concrete structures.

As far as lead is concerned, there does not appear to be any threat to its use in batteries, at least in the next ten years. At the same time, however, legislation to prevent the use of lead in petrol as an anti-knocking additive is becoming more widespread.

Lead has already lost part of its market in the electrical industry where it has provided covering for cables, although it remains significant because of its non-corrosive properties.

The point is that lead and zinc are the subject of quickening technological change which may affect their long-term future. But such changes come about gradually, so that while the outlook may be hazy in the distance, the nearer view is clearer. This is not an incentive to mining investment but on the basis of a slowly increasing usage over the next five years, there seems no reason to fear a sustained shortage of supplies.

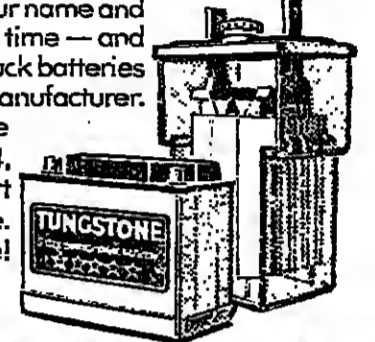
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## Major consumers

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### DIECASTING

NEXT to galvanising diecasting is the second biggest outlet for zinc, accounting for some 20 per cent of total world sales. The percentages vary greatly from country to country according to their state of development and industrialisation but overall diecasting has been a greatly expanding market in the past two decades or so.

When alloyed with various other metals, zinc is particularly suitable for the diecasting process. Its relatively low melting point means less heat is required, giving the dies a far longer life compared with when aluminium, say, is used. Zinc alloys also have the strength, ductility and castability to enable intricate designs, large and small, to be produced as one-piece diecasting.

The biggest market for zinc diecasting in volume terms is the automobile industry, but there is a wide range of articles produced for other markets, including domestic appliances, electrical goods, hardware and toys. The development of new production techniques and expertise has enabled the diecasting process to be applied to an array of goods previously made by other processes.

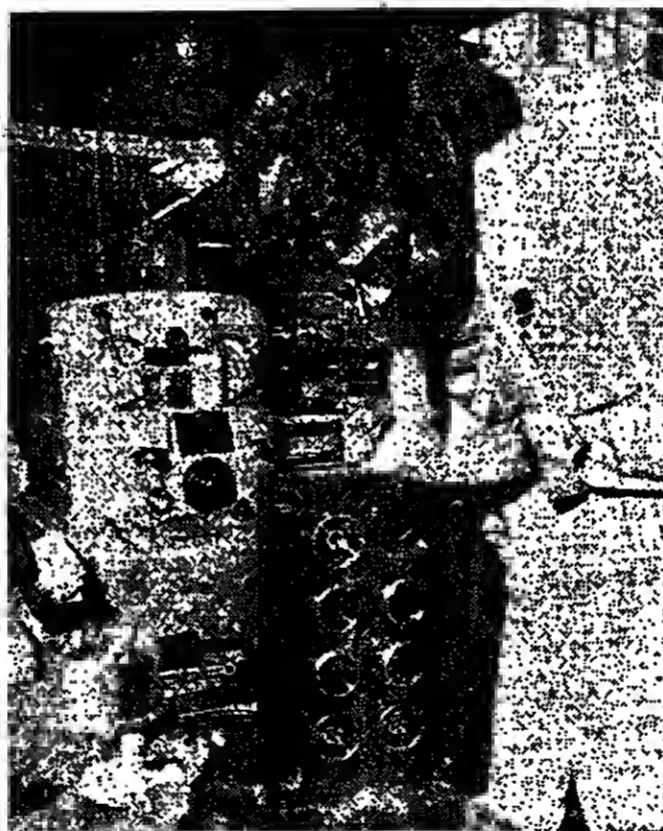
However, although diecasting has been an expanding outlet for zinc, the metal has been facing increasing competition from other materials, especially during periods when zinc has been either priced too high or in short supply.

### Unbeatable

First and foremost is the competition from plastics. A whole new range of plastic injection mouldings has been developed over the years, some of which are easier to produce and very competitively priced. In certain uses they are virtually unbeatable. Aluminium diecasting, too, has made great strides, encouraged by the relatively low price of the metal and the development of new production techniques.

One big disadvantage for zinc in certain markets, such as cars, is its weight. Although its solidity is welcome in some markets, in recent years the motor manufacturers have been seeking ways to keep down the overall weight of their cars so as to reduce petrol consumption or simply to compensate for the many new safety and other devices that nowadays have to be added.

The zinc diecasters' answer to this problem has been to develop thin-wall castings, which are lighter yet retain the same strength to a great extent. This has enabled zinc to hang on to much of its automobile market against the odds, but it has of



Mould turner making precision turned inserts for a mould in the toolroom at Lesney Industrial Division works at Hackney.

course meant a reduction in the volume of zinc actually used, especially as the thin-wall techniques are applied to a wider range of products.

The net result is that while the thin-wall process has enabled zinc to be more competitive both in terms of weight and price, during the transitional period the volume required has inevitably not kept up with the previous growth rate and in many cases has actually declined. In the longer term this advance in production techniques should give the zinc diecasting industry a firmer competitive base, but this depends to a large extent on future developments in both zinc and substitute materials.

However, one big company firmly wedded to the use of zinc diecastings is the single biggest buyer of zinc alloy in the U.K.—the Lesney group. Although best known for its production of toys, where output includes 10m. zinc castings a week, the group also has a subsidiary, Lesney Industries, which has been expanding steadily into the industrial sector, providing some 1m. castings a week for a whole range of industrial products. Using experience gained in toy manufacture, it concentrates on small castings, ranging in weight from as little as 1 gramme up to 500 grammes.

In winning new markets, or retaining old ones, much depends on the price competitiveness of zinc. The recent reduction in the European zinc producer price (down from \$795 to \$700 a tonne), which can be quickly passed on to customers, thus made a welcome change from the series of price increases which began with the



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PARLIAMENT and POLITICS

LABOUR NEWS

Labour row looms over ways to find leader

By Rupert Cornwell, Lobby Staff THE PROSPECT of another bruising confrontation between Left and Right in Labour's ranks has edged closer with the ratification of a report suggesting possible changes in the way the leader is selected.

The document approved yesterday by the Organisation sub-committee of the National Executive sets out three options—1. Keeping the status quo whereby the leader is chosen exclusively by MPs; 2. Throwing the choice open to full party conference; or 3. Setting up an enlarged electoral college including constituency and union representatives.

Behind this seemingly innocuous procedural facade lies a deadly serious issue—whether to favour the continuance of a broadly "moderate" leadership by allowing the Parliamentary party to keep control or whether to increase the chances of a Left-winger reaching the top by letting party activists into the election process.

Whatever choice this year's conference makes at Brighton—assuming the policy-making NEC ratifies the proposals later this month—will involve the establishment of a new office, that of leader of the Labour Party.

Perhaps significantly, however, soundings made among 136 affiliated organisations and local parties have produced most backing for the "moderate" method.

Election by a new college or by the annual conference was supported by only 11 and 19 respectively of those asked.

Councils asked to assess school needs

BECAUSE OF the drop in the number of children and the possible closure of some schools, education authorities are being asked to make a "realistic assessment" of future numbers and to plan best use of school buildings.

Miss Margaret Jackson, Education Under Secretary, said in a Commons written reply yesterday that local authorities were being sent a circular on this matter.

The circular points out that the primary school population of England and Wales is expected to fall from the peak of 5.2m. in 1974 to 4m. in 1985.

The secondary school peak of 4.1m. estimated in 1979 is expected to drop to 2.9m. in 1991.

Tories attack Varley pledge to postmen

MR. ERIC VARLEY Industry Secretary, came under strong attack from Conservative backbenchers in the Commons yesterday when he confirmed that the Government will shortly be introducing amendments to the Post Office and Telegraph Acts to ensure that postal workers can take normal industrial action without fear of incurring criminal prosecution.

According to Mr. Nicholas Ridley, (C. Cirencester and Tewkesbury) such a move would be giving the Post Office Workers Union a licence to pursue political vendettas against countries whose regimes they disapproved of.

But Mr. Varley denied this and also rejected Opposition demands that if he introduces legal safeguards for postal workers he should also end the Post Office monopoly on the delivery of mail.

Mr. Varley told his critics that the amendments would be brought forward as soon as possible, adding firmly: "The Post Office monopoly will not be broken."

Answering a caustic inquiry from Mr. Ridley as to whether the Government would be consulting the Liberal Party over the proposals, Mr. Varley said that they would be asking for a wide range of views including those of Post Office management and the Post Office Users Consultative Council.

If the arrangements with the Liberal Party were still in existence when the amendments were introduced, then he had no doubt that the Liberals would be consulted as well.

Mr. Norman Tebbit (C. Chingford) warned that the Government's proposals would ensure the right of Post Office workers to black or refuse to handle mail on political grounds.

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Minister predicts rise in funds for industry

BY JOHN HUNT SUBSTANTIAL INCREASES in industry investment this year and even larger increases in 1978 were forecast in the Commons yesterday by Mr. Alan Williams, Minister of State for Industry.

He told the House that investment had been on a rising trend and his departmental forecast was for an increase of 8 to 10 per cent for this year followed by a rise of as much as 20 per cent next year.

In addition to the Government's own forecast, he reminded MPs that the CBI prediction was for an increase of 10 to 15 per cent from mid-1977 to mid-1978.

All of this could mean that we would attain a level of investment as high as that in 1970 which was itself a peak year.

Mr. Williams also emphasised that profits in industry were running at a very low level and that higher profitability was essential to achieve investment.

Mr. Frank Allan (Lab. Salford E.) said that Germany, France and Japan all had higher investment than Britain, mainly because in those countries the major finance and insurance companies, which were the source of investment, were public owned.

The Minister replied that he did not think that public ownership was a major factor. He recalled that the Government was currently conducting a survey into the role of financial institutions in this country.

It was also worth noting, he said, that in the private sector, two-thirds of all investment was self-financing.

Sir Keith Joseph Tory industry spokesman, intervened to suggest that price controls, a tendency to over-manning, as well as inflation, were the most relevant factors affecting investment in industry.

But Mr. Williams replied that the major constraint in recent years had been the market situation. Price constraint was a necessary requirement for victory over inflation.

He agreed that over-manning had to be avoided and that was why sector working parties were looking into ways of improving productivity.

Ballot no longer necessary for offshore unions

TRADE UNIONS secured a major concession yesterday from offshore employers in their three-year campaign to organise the workforce on North Sea installations.

At a meeting in Aberdeen between the unions and the U.K. Offshore Operators Association, the employers agreed that the unions no longer need a ballot of membership to achieve recognition rights.

The employers will now recognise the right of a union to act in matters affecting individuals, such as discipline and grievance procedures, providing the union operates through the Aberdeen-based inter-union committee.

This committee of full-time officials, representing seven unions, will be followed in a few weeks by a meeting authorised by the TUC to achieve recognition and eventually full offshore workers.

The procedural agreement establishing this committee as inter-union committee, and the U.K. offshore operators will be the sole agent recognised by employers to progress union progress made in the North Sea campaign for full union offshore employers' body rights.

Earlier this year, the only dispute outstanding was the demand from the oil companies that a membership ballot should be held before a union achieved recognition rights. This has now been dropped.

Mr. Bill Reid, TGWU district secretary in Aberdeen and secretary of the inter-union committee, said yesterday: "This is a tremendous step forward because we can now demonstrate to the men that we can defend them over individual problems. It will be followed on to go for an automatic award of rights for them."

A series of visits to offshore installations operating in the British sector is planned as a follow-up to yesterday's success by union officials over the next few weeks, he said.

A meeting will be held in London on July 21. Mr. Anthony Wedgwood Benn, the Energy Secretary, the TUC fuel and power committee, the Aberdeen inter-union committee, and the U.K. offshore operators will be the sole agent recognised by employers to progress union progress made in the North Sea campaign for full union offshore employers' body rights.

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Ex-PC's No.10 job called nepotism

BY OUR LABOUR STAFF THE APPOINTMENT of Mr. Bob Matthews, for 15 years a police officer, to 10 Downing Street, to a new job inside No. 10 was a "crude example of patronage and nepotism," the Civil Service Union complained yesterday.

There is a risk of industrial action by other CSU members at 10 Downing Street, who include messengers and telephonists, if Mr. Matthews becomes a doorman there next month.

The union's General Purposes Committee will consider the position on Thursday.

Mr. Les Moody, CSU general secretary yesterday condemned the selection of Mr. Matthews and complained that the union was not consulted about the appointment.

"I express our intense resentment that we should have heard about the appointment on a television broadcast."

"We are protesting because someone outside the Civil Service has been offered a plum job before suitable candidates from inside the service had been given a chance to apply."

The job of doorman at 10 Downing Street said Mr. Moody was worth about £80 a week with overtime while many CSU members earned barely £50.

Mr. Matthews has a police pension and he believes a Royal Warrant is needed if he is to go to someone outside the service, there are many more deserving people on the unemployed list.

Mr. Moody claimed that the job had been "carved up" for the former police officer, who is on holiday leave before the Prime Minister made a public announcement.

The "Downing Street mandarins" had pushed the appointment through at all costs, trampling underfoot trade union agreements and "the legitimate aspirations of loyal civil servants."

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Grunwick protest by Labour MPs

MR. ALBERT BOOTH, Employment Secretary, is to consider the situation at the Grunwick Processing Laboratory, Willesden, where pickets were arrested yesterday in the Commons. Mr. Eric Varley, Industry Secretary, said he had heard there had been a "difficulty" at Grunwick but had not received an authoritative report.

The matter will be considered by the Employment Secretary who will take steps to see whether he can give assistance, Mr. Varley added.

Dr. Oonagh MacDonald (Lab., Thurrock) called on Mr. Varley to take action to ensure the ACAS recommendation on union recognition by the firm, was carried out, and "this bitter and unnecessary dispute is brought to an end."

She said that at least 50 pickets had been arrested. In spite of pressure from Labour backbenchers, the Speaker, Mr. George Thomas, would not allow questioning of the Home Secretary (Mr. Rees) over the dispute because, he said, the matter was now sub-judice, since arrests had been made.

But some MPs, led by Mr. Alex Lyon (Lab., York) former Home Office Minister of State, asked whether there was a selective postal boycott of France in 1973. The Conservatives should not have double standards in this matter, he said.

Mr. Laurie Pavitt (Lab. Brent S) in whose constituency the dispute is occurring said there were likely to be further problems and both Mr. Christopher Price (Lab. Lewisham W) and Mr. John Mendelson (Lab., Penistone) argued that the Speaker had discretion to allow subjective matters to be discussed if circumstances warranted it.

The Speaker promised to consider what MPs had said, but added that his ruling must stand for that day.

Mr. Dennis Canavan (Lab W. Stirlingshire), asked Mr. Varley to discuss the implications of the newspaper articles with the heads of other nationalised industries.

He said: "It is obvious that this was a conspiracy against a nationalised industry by the gutter Press, using lies and forgery in the hope of toppling the Labour Government and replacing it with a right-wing extremist Government headed by Mr. Phillips."

Mr. Varley said he had only discussed the matter with Lord Ryder, who had been asked to conduct an inquiry. He has not reported to me yet. When he does so, I will report to the House, which I wish to leave it at that for the time being."

Westminster Press newsmen strike

NATIONAL UNION of Journalists made it clear he could not continue working at the London office of Westminster Press until the service to Darlington, on strike yesterday after the failure of negotiations over the supply of their material to North England Newspapers and Darlington.

The union instructed its members at the Westminster Press London office not to supply the material to North of England Newspapers, which is part of the Westminster Press group, where a strike is in progress.

This led to the suspension of three NUJ members at the London office last week. They were told that unless they worked normally they would be regarded as on strike.

The strike at the London office started after talks between Mr. Martin Davies, London editor and Mr. Chris Harkness, deputy general secretary of the NUJ, broke down.

Mr. Davies said afterwards he had made it clear he could not continue working at the London office of Westminster Press until the service to Darlington, on strike yesterday after the failure of negotiations over the supply of their material to North of England Newspapers and Darlington.

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Land Rover output disrupted

Production of Land Rovers is being disrupted at Leyland Cars Solihull plant because of the six-day stoppage by 150 welders, making chassis at the Garrison Lane, Birmingham factory.

A growing number of Solihull workers are having to be redeployed, and there may be lay-off this week.

At Garrison Lane the strike over extra labour being brought in during an overtime ban against Labour mobility, has now caused 120 other workers to be sent home.

Talks between management and shop stewards yesterday were not expected to produce an immediate formula for a resumption.

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Leyland workers urged to join planning agreement talks

WORKERS AT British Leyland were yesterday urged by Mr. Gerald Kaufman, Industry Minister of State to join in the preparation of a planning agreement between the company and the Government.

"We want workers to be involved in this area. We are seeking to make it possible for workers to engage in a dialogue with management for the preparation of the planning agreement we are to make with Leyland," he declared.

Mr. Jeff Rooker (Lab. Perry Barr) called on the Minister to publish alternative policies which Leyland had already put to employees and about which workers were now lobbying MPs.

Mr. Kaufman stressed that the Government intended giving the maximum amount of information without damaging the commercial prospects of the company against its competitors.

Mr. Michael Marshall (C. Arundel) claimed that many people had little faith in the Ryder approach.

Mr. Kaufman admitted that production levels at Leyland had been of concern to the Government, which was one reason why it was decided it was not appropriate to give a definitive decision about development plans.

But since Leyland had returned to full operation after the disputes earlier this year, the output achieved had been "outstanding."

Earlier, Mr. Verley had refused to be drawn into an attack on the Daily Mail for its stories about British Leyland's alleged slush fund payments.

£10m. lost in overpaid benefits-MP

THE TOTAL amount of money lost by overpayment of social security benefits more than doubled from £4.5m. in 1971-72 to over £10.6m. in 1975-76. Mr. Cranley Onslow (C. Woking) claimed in a written Commons question.

In his reply Mr. Stanley Orme, Minister for Social Security, did not dispute the figures and conceded that his Department had little or no legal power to enforce payment of the benefit of overpayments arose because of the huge increase in the total amount of social security benefits paid out. These increased from £2.4bn. in 1971-72 to £3.9bn. in 1975-76. He points out that the overpayment in 1975-76 represented only 0.1 per cent of the total benefit paid.

In another answer to Mr. Michael Rotherton (C. Louth) he said that the overpayments arose through fraud, a mistake by the claimant or official error. In fraud cases, the Department could enforce repayment by law, but the individual did not always have the financial resources from which recovery could be made.

Where a claimant made a mistake through failure to use due care and diligence, the Department did its best to recover the money but had no power to pursue the matter.

In cases of official error, the Department notified the beneficiary that an overpayment had occurred and requested repayment. But it could not compel it.

Mr. Orme said that it was not possible to make a reliable estimate of the overpayment which might arise in the current year. He recalled that last year, he announced a programme to combat overpayment by fraud, and abuse of the social security system.

Mr. Peter Viggers (C. Gosport) said that investment would not be satisfactory all the time that British interest rates were 10 per cent higher than countries like Germany. But Mr. Williams told him that interest rates had been coming down over recent months.

Therefore, we have to generate greater profitability elsewhere the Government would have to provide all of the investment finance.

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Coal Board defies order to show work records

THE National Coal Board has refused to obey an industrial tribunal's order because of a danger of protest action by miners.

In April, the tribunal ordered the Board to allow a solicitor, Mr. Philip Pedley, access to the attendance records of miners at Shirebrook Colliery, Notts.

Mr. Pedley has now been told by the Board that it is not prepared to allow this "because of the very real risk of industrial action at the colliery, and possibly at others."

Mr. Pedley represents Mr. Jack Bousall, who was sacked as a haulage worker at the pit because of alleged absenteeism. Mr. Bousall, who claimed unfair dismissal, said other workers with worse work records than his had not been sacked.

The Board said yesterday: "When the hearing resumes, our solicitors will make a statement."

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Thames TV talks continue

OFFICIALS and shop stewards of the Association of Cinematograph, Television and Allied Technicians met late yesterday to find a solution to the production assistants' dispute which has brought Thames Television's Teddington studios to a halt.

Talks between the union and company management aimed at settling the dispute which is disrupting TV's production of autumn and winter programmes, continue at the week-end.

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Mrs. Judith Hart

Minister sees need to increase aid

AN OPENING bid for the allocation of more resources to Britain's overseas aid programme was made by Mrs. Judith Hart, Minister for Overseas Development, in the Commons yesterday when she again acknowledged the need for more determined action to reduce the gap between the rich and poor nations of the world.

She described the outcome of the latest round in the so-called North-South dialogue between the rich and poor countries—the Paris conference on International Economic Co-operation—as a disappointment.

Mrs. Hart spoke approvingly, however, of the decision to make available \$1bn. to help meet the needs of individual low income countries facing very acute economic problems, and went on to stress that over the last few months, the aid programme had undertaken a number of new and major commitments arising out of the North-South dialogue.

"I think it will be my task to see that these are taken full account of when we come, in the course of the next two or three months, to assess the size of the aid programme for next year and subsequent years," she said.

Power plant debate refused by Speaker

A DEMAND for an emergency debate on the future of Britain's power plant industry was rejected by the Speaker, Mr. George Thomas, in the Commons yesterday.

Mr. Mike Thomas (Lab. Newcastle) complained that an announcement had been made by the Industry Secretary (Mr. Varley), during the Whitson recess but he had failed to make a statement to the Commons.

Directors 'must await Phase 3'

THE GOVERNMENT yesterday refused to commit itself in an immediate review of the pay of directors of the State-owned Cable and Wireless company, Mr. Leslie Hunkfield, Industry Under Secretary, said they would have to wait until Phase Three of the pay plan.

Labour go-ahead for new candidate at Edge Hill

THE LABOUR PARTY yesterday, in effect, sounded the end of the Parliamentary career of Sir Arthur Irvine by authorising Sir Arthur to stand as a Labour candidate for the next election. The decision of the party's organisation sub-committee, unchallenged by the 67-year-old Sir Arthur, is the culmination of a long campaign by constituency workers to force the MP to step down.

Saffron Walden expected to poll on July 7

THE CONSERVATIVES are understood to have chosen July 7 as the date for the Saffron Walden by-election. The contest, caused by the death of Sir Peter Kirk, who was leader of the Conservative delegation to the European Parliament, is expected to be an important indicator of electoral reaction to the Liberals' pact with the Government.

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Head Office Editorial & Advertisement Offices: BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF

The Windscale inquiry

BY IAN BREACH

BRITISH ENERGY specialists, environmental groups, representatives of the nuclear power industry, and half a dozen government agencies will for the next four months at least focus their attention on what is being said in the small town of Whitehaven on the west Cumbrian coast.

A sobering warning

THE BANK for International Settlements tends to broaden the views of working central bankers. Its annual report therefore reflects an understandingly wary view of the problems now facing all the industrialised countries in seeking to restore a regime of growth and price stability.

More sceptical

The BIS is more sceptical than the OECD's Wise Men on two crucial matters. First, it is not clear that there is any growth path achievable at the moment which will reduce unemployment without adding to inflation—except, perhaps, in one or two countries in which inflation has already been brought to very low figures.

Secondly, the present regime of floating exchange rates may very well make the problem even more intractable than it would otherwise be. Floating rates, as the BIS puts it, compel countries to follow their own inflation; but because changes in exchange rates now work through so quickly to prices, and probably to incomes, it is difficult to secure anything more than a temporary change in real exchange rates—that is, in competitiveness.

The feedback from exchange rates into domestic inflation means, according to the BIS, that countries like Britain and Italy, which found themselves on the wrong side of the saw in the crisis of 1973-74, are now trying to stop a vicious circle of events, which must be arrested before any real recovery can be attained.

Anglo-French links in the air

THE WORLD'S aerospace industries appear to be at a turning point. After the recession of the past few years, there are signs that demand—especially for civil aircraft—is again turning up.

Opportunity

It is against that background that in the past week or two both Britain and France have announced plans for new airliners to go into service in the 1980s.

The significance of this goes well beyond aerospace. Aerospace itself is a highly political industry both at the national and—sometimes even more so—at the international level.

The beginning of a new demand cycle provides the opportunity of avoiding some of the mistakes of the past even though these mistakes are not always easy to identify. It cannot be said, for example, that all collaborative projects have been a success, and all national projects a failure.

Case, BNFL says that the proposed investment would create 1,000 jobs at the Windscale plant; around 3,500 people are currently employed there. In addition, 1,300 contractors' staff would be working on the site for perhaps ten years; the company estimates that 750 jobs would become available to local people and that 500 of these would be permanent.

These figures have been challenged. The nuclear industry is, after all, capital-intensive and becoming more so. Less in dispute, though, are the estimates of commercial performance if the THORP development is permitted. These indicate that advance payments from foreign customers could amount to £600m. by the time the plant was fully operational in late 1986.

One reason for this reversal was undoubtedly the publication of the report on nuclear energy from the Royal Commission on Environmental Pollution, with its deliberations on the consequences of developing a nuclear electric energy economy. There was also a steady barrage of written and verbal warnings to the Council—mainly from other parts of the country—that it was proceeding unwisely.

Two of the three—concerned with rebuilding and improving the existing Windscale plant for the reprocessing of Magnox fuels, and the development of a vitrification technique for the storage of nuclear wastes—were to be resubmitted and would be approved; as indeed they have been. The third, which "raised issues of major importance," concerned the construction of a new Thermal Oxide Reprocessing Plant (THORP), the size of which assumed a considerable expansion of Britain's nuclear power programme and a large increase in the shipment from overseas of irradiated materials in the form of spent reactor fuel.

In its Statement of

Natural Resources Defense Council

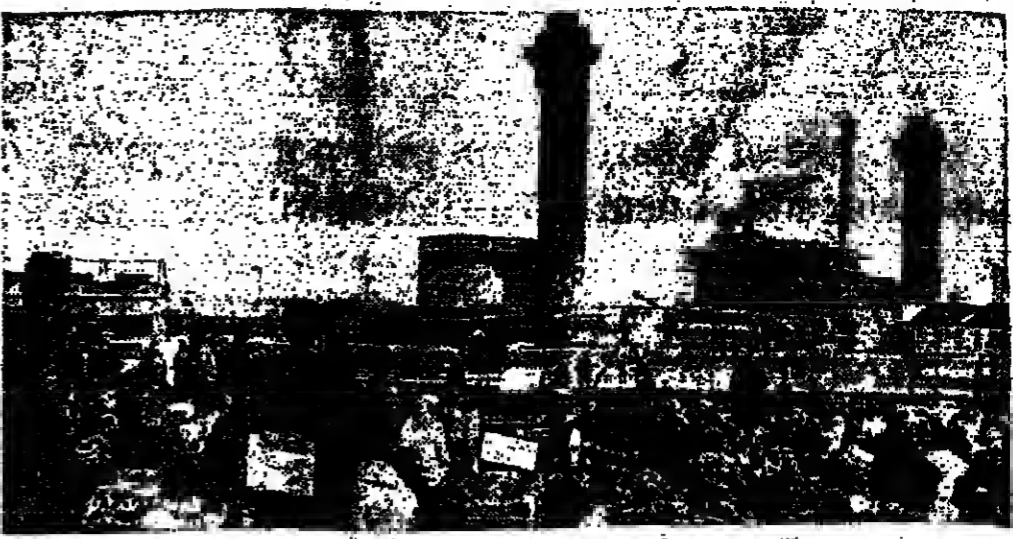
The Government of the Isle of Man

The Windscale Appeal—a coalition of many bodies, including the Conservation Society, Concern Against Nuclear Technology Organizations (CANTO), and the Ecology Party.

Other groups who will be objecting include the National Council for Civil Liberties, the British Council of Churches, Durham County Council, the Network for Nuclear Concern, and the Socialist Environment Research Association.

The inquiry will be unusual in a number of ways. One is cost: when all the fees and expenses have been added up, there is likely to be little change out of £250,000.

The inquiry procedure will also set a precedent. Its chairman, the Hon. Mr. Justice Parker, has announced several departures from normal practice. Although it is officially a local planning inquiry, he and his assessors (Sir Edward Pochin, a member of the National



Friends of the Earth rally at Windscale last April.

radiological protection board, and Sir Frederick Edward Warner FRSC, a chemical engineer and member of the Royal Commission) will admit evidence and submissions based on the national and international implications of the case. For the first time in such an inquiry, the arguments put forward by plaintiffs and appellants will be tested by cross-examination.

Justice Parker has also ruled that submissions may be made by all parties at both the opening and the closing of the inquiry—this to ensure that there is equal access for all concerned to Eress and broadcasting coverage. Justice Parker has said that he will not bear evidence that raises matters of national security or of long-term Government policy, though points of definition may well be raised in both these areas. But he has accepted that there may be some overlap of evidence in such a large inquiry. And he has indicated that witnesses may be

brought to Whitehaven at the Court's expense if he so directs—a point of considerable interest to those who have complained that objectors have the financial odds stacked against them.

In fact, the raising of funds by and for objectors has proceeded at a pace that has surprised even their most optimistic supporters. The Manx Government has made £30,000 available, with provision for a supplementary figure if necessary. FoE has raised approximately £10,000. An advertisement printed by the Guardian and faking the form of an open letter signed by 2,000 people, is believed to have brought donations amounting to £10,000 for the group calling itself People for a Non-nuclear World, which will pass on the money to the industrialist Sir James Goldsmith, chairman of the Cavenham Group, has promised to underwrite a sum of £25,000 to

be divided between FoE, CANTO/ConSoc, and other objectors.

Thus, what began as a planning application that was almost passed as a matter of course by a rural local authority has become a major test involving momentous issues of energy policy, civil rights, and environmental politics. Together with the proposed inquiry into the CFBR programme, it will also be something of a hinge that joins the door of public participation in the frame of resource management. Its length and complexity are daunting in prospect, and few would envy Justice Parker his responsibilities—responsibilities he connectedly when he said, at a preliminary meeting, that the issues to be investigated "may affect not only those alive and residing in the immediate neighbourhood but also those who live far away and who will not be born for many years ahead."

The issue of the bomb

By DAVID FISHLOCK, Science Editor

NUCLEAR WEAPONS and nuclear explosives are constantly in transit by road around Britain. The reason is that they are unstable and in need of regular refurbishing. These tricky procedures are performed at one of two nuclear factories in Britain: Aldermaston, the Ordnance Factory where the nuclear weapons are made and where their neutron triggers are replaced every few months; and Windscale.

Windscale, where plutonium for Britain's first nuclear weapon was extracted and refined, is the site of one of the world's biggest reprocessing plants, capable of handling up to 2,500 tonnes of spent nuclear fuel a year. It reprocesses fuel from Japan and Italy as well as from 26 natural uranium reactors feeding the electricity grid in Britain. It also reprocesses the complex and very precisely machined pieces of pure plutonium used as the explosive in nuclear weapons. With time these components distort in shape and become contaminated by radioactive decay, and so need to be refined and machined afresh.

This, and not the difficulties of storing natural uranium fuel, is the reason why Mr. Peter Shore, Secretary for the Environment, "nodded through" the plan of British Nuclear

Fuels to spend £265m. virtually rebuilding in the 1980s the Magnox reprocessing plant it has been operating since 1964.

The Parker inquiry is concerned with plans to build a second big reprocessing plant at Windscale, of a type which is being demonstrated on a small scale in a plant being commissioned at Dounreay. The fuel it will handle, instead of being metallic, will be a ceramic uranium dioxide. It will also be more highly radioactive than Magnox fuel because it has remained longer in the reactor.

Opponents of the proposed new plant are expected to make much of the differences between oxide and metallic uranium fuel. They have tacitly accepted that opposition to the first plant is a lost cause; that the British Government is not going to abandon its reprocessing of Magnox fuel or its refining of plutonium explosive. In fact, both kinds of fuel yield plutonium—about 0.2 per cent in the case of Magnox, and 0.5 to 1 per cent in the case of oxide. But the latter's plutonium, having resided in the reactor for longer, is more difficult to make into an explosive.

Plutonium and the proliferation of nuclear explosives is expected to be the heart of the case against THORP, the 1,200-tonne thermal-oxide reprocessing plant. In recent months

see a large piece of potential nuclear export business slipping away. But there is also grave doubt whether the policy will have the slightest influence on a nation which is determined to acquire a plutonium bomb.

Commercial nuclear stations costing anything up to \$1bn. these days are not a very attractive way of obtaining plutonium clandestinely. An authoritative study specially commissioned by the Congressional Research Service concluded that a small nation with nuclear aspirations could satisfy them for about \$13m-26m, by building a small Magnox type of reactor, capable of making about 10 kilograms of plutonium a year. The design information is already available in open literature. All materials and components can be bought on the open market except for uranium—which is widely distributed around the world.

That said, however, it is hard to make other nations adopt the same policy. As a witness told the Congressional inquiry into proliferation last week, U.S. policy is really "say 'we don't trust you' but we want you to trust us." There is little doubt that the new U.S. anti-proliferation policy would cause considerable trouble and not only to nations like Britain and France which

MEN AND MATTERS

High-flyer for French aerospace

As the British and French aerospace industries gird themselves for what looks like a tough fight to acquire support and European partners for their conflicting versions of a new medium haul passenger airliner the French government has just picked the man to head the growing state-owned section of the industry.

He is a 62-year-old polytechnician, Jean Blancard, who brings to his task of heading a new, and as yet unnamed, government aerospace industry board, an impressive range of experience to both the upper reaches of the civil service and industry which will make him a powerful counterpart to Britain's aerospace chief Lord Beswick.

Blancard was a senior civil servant looking after oil and fuel in the 1950s; before he switched portfolios for two years to deal with Air Force matters.

In 1964 he moved into industry as chairman of the state-owned aircraft engine builder SNECMA before switching back to the civil service to be the chief official handling the armaments industry, including overseas weapon sales. This was followed by a two-year stint overseeing energy matters before he went back into industry, at the head of Gaz De France, which he is now leaving for aerospace.

His job will not be easy. To start with he has to soothe ruffled feelings of the Dassault concern which has always regarded itself as a cut above everyone else and which, while expecting to be nationalised by the left, scarcely expected the current conservative-liberal coalition to move in first, as it has, by taking a one-third stake in Dassault-Breguet, which builds the Mirage fighter bomber.

Then he has to coordinate Dassault's work with that of Aerospatiale, the Concord and Airbus builder which is desperately short of work and which has become in many ways a Dassault sub-contractor while Dassault has always kept the high technology and development work for itself. The third big element in his empire is SNECMA, which is heavily involved in U.S. joint ventures but which also has diverse industrial interests—like machine tools—it would like to get rid of.

He will also have to work out plans for a controversial new airliner, on the basis of market studies which are subject to violent disagreement, alongside the Airbus programme as well as seeing through the battle for landing rights in New York for Concord, and all this with the spectre of total nationalisation in the background.

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Irish opinion

Opinion polls, it is well known, can be misleading, and in Ireland, where they have come into their own for the first time during the three-week run-up to Thursday's general election, they can be downright confusing.

The latest poll shows that 83 per cent of the Irish electorate are "certain" to vote. But that was only table top talk. By the time the canvassers got down to table seats it emerged that 92 per cent had "definitely" decided to vote.

The effect was not dissimilar to that published in another Dublin newspaper, which sent out a reporter and a photographer to conduct a street poll of six young voters and faithfully reported the views of all five. These are mere pointers to the fallings, though. Perhaps the best are those where the interviewees add to the confusion: "A

other is threatening to blackout RTE on Friday night.

Man slips on banana skin

"Truth," says the high level Italian communist apparatchnik at the key point in Francesco Rosi's latest film *Illustrious Corpses* "is not always revolutionary." Quite so, but what about humour? My own view is that humour is not only a welcome sign of intelligence but also serves to deflate pomposity and cant. As cant and pomposity appear to be the inevitable fellow travellers of totalitarian regimes humour is demystifying and revolutionary. End of sermon.

Or it would be had not the Peking People's Daily apparently cut this ground from under my feet by publishing a series of jokes—for the first time in living memory, though they are however jokes at somebody else's expense.

That said, the People's Daily jokes, culled from the non-official anthologies of Eastern Europe, must strike the Chinese as amusing. Why, ask the Poles, cross a cow with a giraffe? So that it can eat grass in Poland and deliver milk to the Soviet Union.

Then there is the story of the Poles drinking wine. Suddenly one of the drinkers proposes a toast to the railway workers of Poland. "Why toast them, asks another? Because if it were not for the railways we would have to carry coal to Russia on our backs, is the response.

If all goes to show, comments the People's Daily severely, the hatred of the East Bloc for "the new Tsar."

It cannot surely be long before Pravda begins—did you hear the one about the Chinaman who...

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Sheffield 14/6/77

# British Engineering

Faced with powerful competitors, Britain's share of world trade in engineering products has tended to decline. But as this survey points out, now is perhaps the time for renewed effort, using our North Sea wealth as a fresh springboard.

**Still our industrial mainstay**

By Geoffrey Owen

IF THERE is to be a sustained improvement in the U.K.'s economic performance, assisted by North Sea oil, a central role will have to be played by the engineering industry. As employer, investor and exporter, engineering is the most important industry in the country. Although there are areas of weakness within it, it has an underlying strength and a position in world markets which provide the basis for considerable development and expansion. In contrast to some other industries, which may in time migrate to countries with lower labour costs or raw material advantages, the manufacture of engineering products with high added value will remain for the foreseeable future the mainstay of the advanced industrial countries.

The U.K.'s share of world exports in these products has tended to decline in recent years, although the extent of the decline has varied a great deal from sector to sector. In non-electrical machinery the U.K. is still the third largest exporter, ahead of France and Japan, though well behind the two leaders, the U.S. and West Germany. One of the purposes of this survey is to consider whether, with the aid of a more stable economic background, the

decline in share can be reversed.

Engineering is a complex industry which is difficult to define. This survey will deal mainly with mechanical and electrical engineering, two sectors which cover a vast range of products from electric toasters to turbine generators, from hand tools to earth-moving machines and giant pressure vessels. These two broad categories themselves consist of hundreds of separate "industries," each with a distinct set of products and markets.

Although some large companies straddle a number of these separate sub-sectors, it is not uncommon for a handful of specialised manufacturers, based in Europe, the U.S. and Japan, to dominate the world market in their particular line. Just as in, say, turbine generators there are probably less than a dozen companies which rank as significant competitors on the international scene, so in branches of the machine tool industry, such as gear-cutting machines, five or six companies are battling it out in all the major markets of the world.

## Objective

The objective for the U.K. as for other industrial countries, is to ensure that in as many of these sub-sectors as possible British-based companies are at or near the top. There is, unfortunately, no magic potion which can transform "laggards" into "leaders." Persistent efforts by the British Government (and for that matter the French Government, too) to find the right formula in the form of State intervention have on the whole been unsuccessful.

There have been periodic attempts to create bigger engineering companies, in the belief that size would bring economies, financial advantages which no manufacturer can hope to be cost-competitive. This merger between APV and Hallapplies to farm tractors, a Thermotank, where the combina-



A diesel engine crankshaft being removed from a fully-automatic machine which polishes main and pin bearings at the Sheffield works of Ambrose Shardlow Ltd., a subsidiary of GKN Forgings Ltd.

some parts of engineering size sector where Britain is undoubtedly strong, the captionaly performance of the heavy electrical industry, for instance, has North American tractor certainly benefited from the mergers of the 1960's, whereby U.K. their main manufacturing GEC took over English Electric's base for export markets.

Even in those branches of engineering where scale of production is less critical, some of the mergers which have taken place in the past decade — for example, in compressors for cables owned by the (between Hotman Brothers and size and financial strength of Broom and Wade to form Comp BICC. In parts of mechanical Air) and in mining machinery — in engineering, too, there is a mini-merger which has improved the U.K.'s competitive position. A electrical business and finished up as a domestic appliance manufacturer — Creda.

The history of Guest Keen and Nettlefolds is full of similar progressions. Guest was a steel maker. Keen and Nettlefolds used steel to make nuts and bolts and screws. Many years after another steel user, Sankey, which in the early days made metal trays, joined the group and was eventually to use its skills to make bonnet panels, wings, frames, bumpers and wheels for the automotive industry. In 1966 GKN added a big chunk to its automotive component business when it acquired the Birfield group. This deal brought with it an important stake in the Unicardan business in West Germany which has proved such a prize possession in recent years.

Vickers, too, began as a steel-making group. It started to grow when it began to fabricate some of its own steel, took over a shipyard (at Barrow) in the 1890s and has hardly stopped growing since. There was a big step in 1927 when it acquired the ailing Armstrong Whitworth business, its principal armaments manufacturer. Vickers always had a tendency to have a go at businesses involving new technology and got into the aircraft industry as early as 1910. Its most recent acquisition, the purchase of Kearney and Trecker Marwin, has taken it into the machine

and processes should make for a more formidable attack on export markets, especially when turnkey contracts are involved.

There is, however, no simple correlation between size and competitive success. It is unlikely that a company like Wadkin in Leicester, which has less than 2,000 employees and a turnover of some £10m., would improve its position in the world market for woodworking machinery if it were part of a larger group. It is this kind of company which accounts for a substantial part of the U.K.'s trade surplus in engineering.

What the customer is looking for, especially in capital goods,

The design of the product, the special emphasis to the design efficiency with which it is manufactured, the skill with which it is marketed—these depend on the calibre of the engineers themselves, how able they are and how well trained for industrial life. This applies with special emphasis to the design stage. It has been said that 80 per cent of the cost of a piece of machinery is often determined in the design office. "Whilst revolutionary design changes can make a valuable contribution to the development of the industry, it is through widespread improvement in the quality of detailed design that the greatest pay-off is likely to be realised. To bring this about, a sustained programme of action in the education, training and retraining of engineers will be needed."

The low status of engineers in this country is a long-standing problem which has been the subject of innumerable Government studies and investigations. It stems in part from deep-seated social and cultural factors which will not easily be removed. But perhaps the industry itself has failed to get across to the public at large, and to young people in particular, the excitement of engineering and the achievements of British manufacturers.

To some extent, of course, this is a problem not unique to engineering. It affects manufacturing industry as a whole. But there are special difficulties arising from the complex and diffuse nature of the engineering industry — difficulties from which the chemical industry, for example, does not suffer to anything like the same degree. The fragmented structure of the engineering trade associations and of the professional engineering institutions has not helped matters: these are subjects discussed in later articles in this survey.

## Efforts

It is not only in the design department that efforts to increase the supply of highly able and well qualified engineers are required. Foreign engineering companies operating in the U.K. have often commented on the difficulty of persuading the best young engineers to work in production. This is partly because of the industrial relations problems associated with manufacturing — although the bulk of the engineering industry, consisting as it does of relatively small plants, is not seriously affected by strikes. It is also because of the widespread impression that production jobs are unglamorous, not appreciated and unlikely to lead to the top management positions. The contrast with a country like Sweden could hardly be more striking. In that country, a recent survey found, "the typical entrant into management continues to be a graduate in engineering who begins his career in production. His studies have had a strong practical orientation and have been influenced by lecturers and heads of departments who have

Somehow the public needs to be made more aware of the central importance of engineering in the economic life of the country. Engineering is the lifeblood of the economy. We may be a nation of shopkeepers, but the shopkeepers, like everyone else, rely on the engineers to provide a large part of the country's wealth and spending power. This dependence on engineering will not be altered by North Sea oil; the objective must be to use the opportunity created by the North Sea funds to strengthen the engineering industry, so that it can make an even bigger contribution to the economy when the oil runs out.

## Small suppliers for large customers

THE STRUCTURE of the British engineering industry has developed along very practical lines. In crude terms it consists of many small companies providing components or parts of components for customers who tend to be larger in size. The customers probably add some components of their own manufacture when assembling the finished engineering product which is mainly made up of hits and pieces bought in from outside suppliers.

This structure has produced a number of side effects. To start with, manufacturing units in engineering tend to be small. There are, for example, more than 400 engineering companies quoted on the London stock exchange and not many of them have an annual turnover of over £50m.

A recent Engineering Industries Training Board report showed that only 33 of the establishments within its scope employed more than 5,000 people. On the other hand there were 12,736 of the total of 21,145 establishments covered by the EITB with fewer than 24 people employed and 7,524 with under 100. The need for engineering companies to cluster together — for ease of communication and to be sure of being able to draw from a pool of people with the right kind of skills and background — has given some geographical areas, like the West Midlands, or the South East of England, an engineering bias.

This solidly-based infrastructure, with its preponderance of component-supplying companies, makes it relatively easy for newcomers with ideas and ambition to try their luck by assembling other people's components. It is often possible to get good

market penetration with a new product and only later to have to think about setting up manufacturing facilities to back it up. Examples of this are to be found in the industrial truck business and in the construction equipment field. Cosmos Crane (formerly Crown Crane), set up only three years ago as a joint venture between Richards and Wallington, the crane hire concern, and Clark Equipment of the U.S., is a recent example of this type of venture.

More important, perhaps, is that the well-established structure of the industry has attracted, and continues to attract, the multinational companies to the U.K. when they are setting up European assembly or manufacturing operations. The contribution to the balance of trade from these foreign-owned companies is enormous.

## Advertising

The U.K. does, of course, have some major engineering groups of its own. There are seven in the Times' 100 largest companies list. Examine them more closely, however, and you find they are made up of relatively small operating units. In its recent television advertising campaign, Tuba Investments, with turnover of £716m., made a point of this with the promotional phrase "We got big by keeping it small." Of the 130 companies within the TI group, only six employ more than 2,000 each. Self-protection played a big part in the development of many of Britain's major engineering groups. To take TI as the example again, it started life in 1939 when there was over-capacity in the steel tube industry following the end of the First World War. Two tube-making companies and

two tube users got together for protection. Over the following ten years they were joined by others, including one tube user which made bicycles — Raleigh.

Supplying companies were bought to protect supplies of components and new businesses developed from old ones. TI had, for instance, a company making steel conduits which then went into the (allied) electrical business and finished up as a domestic appliance manufacturer — Creda.

## Reluctant

But Mr. de Viger was reluctant to stop Acrow's growth and had to move in a different direction entirely. He bought into the construction equipment and cranes business and this now accounts for half of Acrow's turnover.

On an even bigger scale, Sir Arnold Weinstock built up General Electric Company with a series of acquisitions, particularly when he pushed through the bitterly-opposed bid for Associated Electrical Industries. One of GEC's two main U.K. competitors, in 1967. Only a year later he merged GEC with English Electric to form the largest electrical engineering group in Britain and the country's ninth-largest company.

The Industrial Reorganisation Corporation played an important behind-the-scenes role in trust mergers. It saw in Sir Arnold the man who could efficiently manage the U.K.'s entry into the fiercely competitive international electrical engineering business.

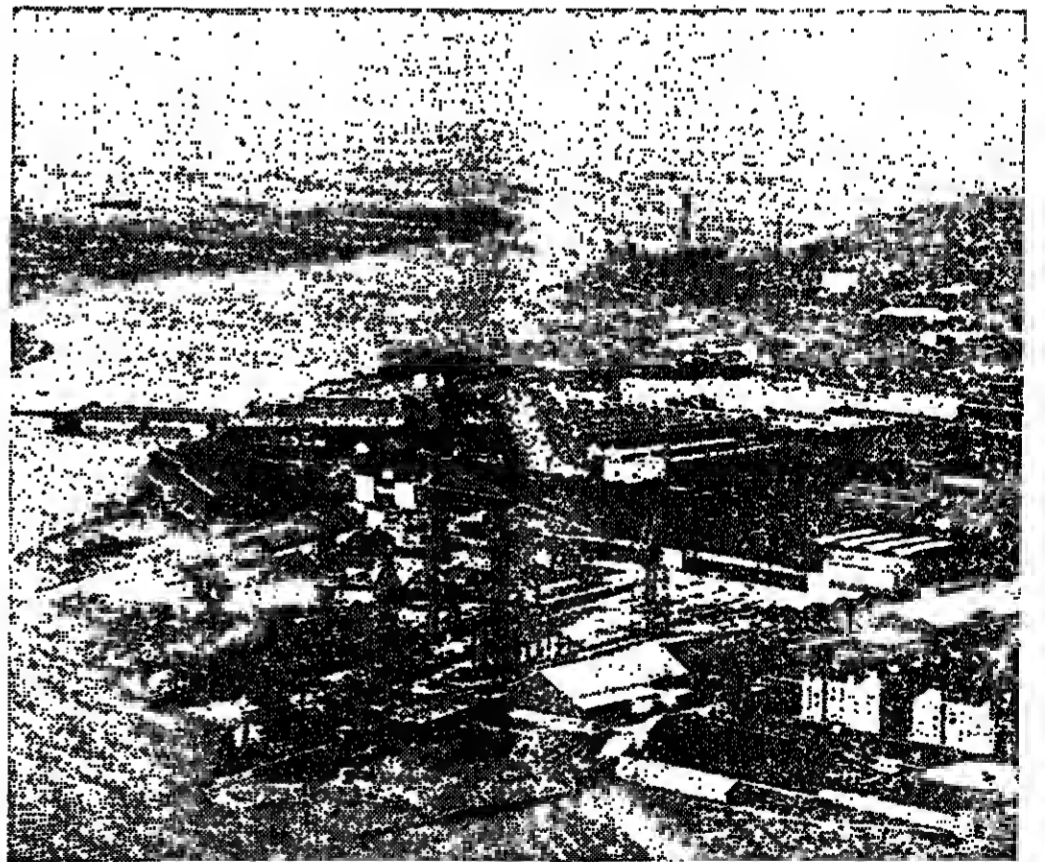
Pollard. This arrangement has ensured that the U.K. maintained a presence in this strategic sector in spite of two recent recessions which, in the opinion of many people in the industry, would have killed off the individual companies which went to make up RHP.

The IRC also sparked off a merger between Clarke Chapman and John Thompson in the heavy engineering sector. The idea here was to provide the U.K. with a reasonably-sized business capable of making holsters for nuclear power stations. During the same period, Clarke Chapman acquired a number of heavy crane makers, becoming the U.K.'s biggest company in this field.

The merger mania which seized many companies during the 1960s also had an impact on the industry. Often there appeared to be no very good reasons why particular groups should merge although they could always argue that only the larger groups could afford the kind of research and development necessary to keep Britain in the race to introduce new technology to engineering.

Some ideas with echoes of the IRC days are coming out of 10-day's industrial strategy programme. Suggestions that the U.K. manufacturers in the industrial truck and construction equipment sectors need to get together in order to be better equipped to do battle in international markets have been taken to heart. Mergers have recently occurred and undoubtedly the companies took note of what had been said in the strategy papers before making their decisions to get together.

Not all industrialists or engineers are obliging enough to step



Vickers' Shipbuilding Works at Barrow-in-Furness in Cumbria.

smartly into line when it has appeared to the government or one of its appointed organisations that changes should be made. The IRC had its arguments. And recent government attempts to restructure the turbine generator sector by merging the two U.K. companies involved, one of them within GEC and the other the C. A. Parsons subsidiary of Reynolds-Parsons, has been held up by disagreements over how management control of the combined company should be handled.

In the engineering sector the usual style adopted by the major groups is one where the individual operating companies have a great deal of autonomy with the central holding company taking responsibility for finance, forward planning, research and development and the appointment of key personnel. This has led to some problems when autonomy has been taken

too far. There have been based organisations operating examples of companies in the internationally. This means same group not only competing that there undoubtedly will be fiercely against one another but more deals like the GKN bid for also refusing to trade with one Sachs in West Germany and the another even though this would Babcock and Wilcox acquisition obviously be beneficial to both. of American Chain and Cable in the U.S.

More people in the industry have often lacked the skills necessary to control the large organisations they have built up. The machine tool sector seemed particularly dogged by this problem. A major expansion of both Staveley Industries and Alfred Herbert was followed by near-collapse and eventual slimming-down by new management teams. It has not only been the machine tool sector which suffered from this syndrome, and some very famous engineering names have had to have injections of fresh management blood to save them from gradual decline.

To-day most of the major engineering companies in Britain see themselves as U.K. Kenneth Gooding Industrial Correspondent

# Higher profits from a lower share

THE MECHANICAL and electrical engineering industries produced a trade surplus of nearly £2.5bn. last year, compared with £1bn. for the chemical industry and about £800m. for road motor vehicles. At the same time the U.K.'s share of world exports of engineering products has tended to decline. The challenge facing the industry is how to increase the trade surplus still further and how to arrest the decline in market share.

The best hope for achieving this lies in developing and strengthening those sectors of engineering where the U.K. is already competitive, not in attempting to revive sectors which, for management, financial or technical reasons, have fallen too far behind or in seeking to create home-produced substitutes for imported products.

There are, of course, some sectors where the trade performance is poor—and clearly capable of improvement. It would be wrong, for example, to accept a situation where the U.K. continues for the indefinite future to be a net importer of domestic appliances. The companies in this sector—Thorn, GEC, Hoover and so on—are strong and efficient enough to develop their own export business and turn back the tide of imported, mainly Italian, machines. But one of the characteristics of the engineering industry throughout the world, especially in capital goods, is the high degree of international specialisation.

No one industrial country can expect to produce all the machinery and equipment that it needs; the share of imports in domestic consumption, even in sectors where exports are high, tends to be relatively large.

A typical example is textile machinery, where U.K. companies have a substantial share of the world market and export some 70 per cent. of their production, yet imports account for

exporters, perhaps selling 25-30 per cent. of their production overseas, make a leap forward into the 50-60 per cent. range. The leap is not impossible, but it will require both a different attitude to export business and a more determined attack on the high-volume markets of Europe, the U.S. and Japan.

Indications are that the greater profitability of export business in recent years, as a result of the depreciation of sterling, has produced a change of attitude in many companies. Obviously it is questionable whether this will last in a situation when sterling is tending to harden and U.K. inflation rates are still higher than in other industrial countries. But the experience of the past few years, when the profitability and growth of overseas sales have far surpassed domestic sales, has given exporting an importance in the eyes of top management which it did not have before. This change could be a lasting one.

## Image

The attack on the advanced industrial markets is more difficult. The image of the German engineering companies, in particular, is so formidable that some British companies shrink from face-to-face competition with them in their own home market—an attitude which evidently does not operate in the reverse direction, to judge by the U.K.'s large trade deficit in manufactured goods with the EEC.

Yet this overall deficit should not be allowed to obscure the fact that in some parts of engineering the U.K. is a match for its Continental competitors. One may bemoan the fact that the Germans ship machine tools to the U.K. worth four times as much as they import from us. But the German position in the world machine tool industry is exceptionally strong and should not be taken as indicative of their superiority in en-

gineering as a whole. In other sectors, such as mechanical handling equipment, the U.K.'s trade position with the rest of the EEC is much healthier. This reflects not just the quality of the product, but the boldness with which some of the companies concerned have set about the task of marketing on the Continent.

This has often involved the setting up of wholly owned sales subsidiaries in the main countries, giving the U.K. supplier a more direct involvement in the marketing of his products. Because of the need for a visible presence in the market, it may be necessary to acquire or build manufacturing facilities; CompAir, the compressor manufacturer, has followed this route successfully, while In diesel engines GEC has used the acquisition of existing companies as a means of strengthening its export drive in both the U.S. and in Continental Europe.

In other cases there have been moves to negotiate alliances with Continental companies. One recent example is the deal between Hymac (subsidiary of Powell Duffryn) and Demag in the field of hydraulic excavators. Hymac will concentrate on the smaller machines, Demag on the top end of the range; there are plans for sales co-operation in certain markets.

Where a company has a very small share of continental markets and is virtually unknown there, an alliance with, or an acquisition of, an established local supplier can be an effective means of making up for lost time. There have been suggestions, for example, that British Leyland, instead of attempting to build a continental truck business from scratch, should have got together with a company like Berliet in France or Magirus Deutz in Germany, obtaining access to a ready-made sales and distribution network.

In the meantime the drive for sales in the developing countries continues. An increasingly important feature of business in these areas is the need for, the

exporter to commit himself to something more than a straightforward selling arrangement. Countries like Brazil and Iran, in particular, are looking for companies which are prepared to enter into a partnership, either with the Government or with local investors or a combination of both, which may include the sale of equipment from the U.K., but also provides for assistance in the establishment of local factories.

This type of contract is more complicated than conventional exporting and more demanding in terms of the management, engineering and financial resources that have to be made available for particular deals. It is not attractive to those companies which have been accustomed to regard exports as no more than a marginal addition to sales volume. Yet in a sense it is no more than a logical extension of the normal principle of overseas marketing—to understand fully what the customer wants, and to devise a package which meets his requirements. If the package has to include a partnership with local industry, that, too, must be provided.

Ideally, therefore, the successful engineering company should have both the technological and commercial strength to compete against the Germans, the Americans and the Japanese in their own home markets, and the flexibility and management resources to provide the developing countries with what they want. Fortunately there are British companies which possess this combination of qualities. The example is there for others to follow.

Geoffrey Owen

## U.K. TRADE PERFORMANCE IN MAJOR SECTORS IN 1975 AND 1976

	1976			1975		
	Exports	Imports	Balance	Exports	Imports	Balance
<b>NON-ELECTRIC MACHINERY</b>	5,058	3,254	+1,804	4,255	2,300	+1,955
Aircraft engines	373	276	+97	365	213	+152
Internal combustion engines	515	161	+354	406	127	+279
Tractors	383	43	+340	311	29	+282
Other farm machinery	103	109	-6	97	72	+25
Office machines	516	681	-165	430	479	-49
Metalworking machinery	238	171	+67	219	158	+61
Textile machinery	253	108	+145	240	92	+148
<b>Construction and mining machinery</b>	430	174	+256	283	125	+158
Pumps and centrifuges	350	194	+156	271	145	+126
Mech. handling equipment	279	130	+149	248	117	+131
Ball and roller bearings	70	68	+2	55	55	0
Taps, cocks, valves	156	90	+66	132	67	+65
<b>ELECTRICAL MACHINERY</b>	2,004	1,383	+621	1,529	1,045	+484
<b>Electrical power machinery and switchinggear</b>	499	254	+245	380	191	+189
Insulated wire and cable	143	24	+119	127	18	+109
TV receivers	37	67	-30	69	66	+3
Telecommunications equipment	48	172	-124	371	115	+256
Domestic electrical equipment	123	144	-21	96	120	-24
Thermionic valves, transistors etc.	116	201	-85	90	140	-50
Electrical measuring and controlling instruments	225	176	+49	157	138	+19

Source: Overseas Trade Statistics.

## SHARES OF WORLD EXPORTS OF ENGINEERING PRODUCTS 1970-75

	(Percentage of exports by principal industrial countries)				
	1970	1971	1972	1973	1974
<b>U.K.</b>	12.4	13.2	12.4	11.0	10.4
Non-electric machinery	9.5	9.6	8.4	7.5	7.7
Electrical machinery	9.5	9.3	8.0	7.2	6.7
Transport equipment	10.7	11.6	9.9	8.8	8.4
<b>U.S.</b>	36.2	35.6	32.9	32.4	34.0
Non-electric machinery	20.4	18.7	18.7	19.8	20.5
Electrical machinery	21.6	21.7	19.0	20.2	22.3
Transport equipment	22.3	21.9	20.5	20.9	22.7
<b>West Germany</b>	24.0	24.9	25.5	27.2	26.7
Non-electric machinery	20.1	20.9	20.4	22.4	23.0
Electrical machinery	19.4	18.6	19.1	20.6	18.4
Transport equipment	21.5	21.6	21.9	23.6	22.6
<b>France</b>	7.1	8.1	8.4	8.6	8.1
Non-electric machinery	7.4	7.7	7.6	7.9	7.7
Electrical machinery	9.1	8.3	8.6	9.4	8.9
Transport equipment	7.9	8.1	8.4	8.6	8.1
<b>Japan</b>	6.3	6.8	7.5	8.0	8.6
Non-electric machinery	16.2	17.4	18.3	17.7	17.0
Electrical machinery	12.6	15.8	16.9	17.2	20.9
Transport equipment	10.6	12.3	12.4	13.6	15.0

Source: OECD Statistics.

# The competition

PEOPLE WHO have looked for simple explanations of West Germany's success in engineering, some ingredient which could easily be transplanted to the U.K., have been disappointed. The strength of the German engineering industry is not a matter of structure. Germany has much the same mixture as the U.K., a sprinkling of big, diversified engineering companies followed by a large number of medium-sized and smaller firms. If anything, the Germans have more small companies (many of them family controlled) and fewer big ones than the U.K. Nor is it a matter of the special relationship between the manufacturers and the banks or the absence of a stock market with the size and influence of the London Stock Exchange. German companies may sometimes take a longer view of profit ability, but this does not appear to be related to the differing financial structures in the two countries.

According to one recent study, the competitiveness of German engineering products, despite successive currency revaluations, can be put down to three factors. First is the quality and reliability of the industry's products making them relatively insensitive to price increases. Second is the fact that once equipped with German machinery a firm may find it more economical to go on buying from the same source despite uncompetitive prices; this avoids the cost of training operators in new types of machinery and the extra investment in spares. Finally, the Germans have an enviable reputation for prompt delivery and reliable service.

Even more important, perhaps, the Germans have a tradition of looking to the world market for their sales opportunities. In many sectors of engineering—machine tools, pumps and compressors, textile machinery, steelworks plant—the proportion of output which goes to overseas markets is well above 50 per cent.

Yet the Germans are not invincible. Just a few weeks ago Davy International defeated Lurgi of West Germany to win a £147m contract to build two methanol plants in the Soviet Union—and this is a field in which Germans have built up a very strong position in Eastern Europe. One isolated contract does not mark a change of trend, but it is arguable that the German engineering industry faces a number of new challenges to its export supremacy which will prove difficult to overcome.

One is the problem of price competitiveness. This is shown

up most dramatically in the case of Volkswagen in the U.S. market, where the company has been forced to invest in local manufacturing facilities in order to compete. Passenger cars are much more price-sensitive than the bulk of the German industry's range, especially in capital goods, but price does play some role in virtually every contract. There are signs that the difficulties of exporting from a German manufacturing base are becoming more significant. Some American companies have recently found that machines built in the U.S. and shipped to West Germany can be sold at a price which undercuts the locally made product.

Second, there have been suggestions that as countries like Brazil graduate from developing to industrial status they will cease to be such good markets for German capital goods and will increasingly compete with the Germans even in products with relatively high-added value. This is perhaps more of a long term than an immediate threat. The process of industrialisation in countries like Brazil, Nigeria and Iran will take a long time and their potential demand for German technology and German-made machinery is very great. Yet the question does arise as to whether the Germans, forced to concentrate on goods of even greater sophistication and complexity, will be able to compete in the hard and bitter of the engineering industry which still provides the bulk of exports and employment.

## Competitive

Clearly such a development offers opportunities for British exporters if the U.K.'s present cost advantage can be maintained. But a bigger threat to the Germans could be the inroads which the Japanese are beginning to make in the world market for machinery. The main Japanese success in world markets has been in transport equipment (chiefly passenger cars and ships) and in electrical machinery, which includes such products as TV sets and electronic calculators. But it seems likely that a greater effort will now be made in mechanical engineering. This would be in line with Japan's long-established policy of switching resources from those industries in which other countries are beginning to catch up to those where Japanese companies have a competitive advantage.

Until recently many Japanese engineering companies in such fields as machine tools have tended to export a relatively small proportion of their production, often no more than 10 per cent. This is not so much because they were unable to compete, but because the home

market absorbed most of their energies and the need to export was not as compelling as in Marubeni and Sumitomo Electric; an oil refinery contract was won by Chiyoda and C. Itoh. The Japanese claim that in some of these contracts they have been able to defeat their European and American rivals not merely on delivery and price—traditional Japanese selling weapons—but on technology.

If this export drive is sustained, it will pose problems for the Americans as well as the Germans. In some branches of engineering, especially in relation to oil and petrochemicals, the U.S. has tended to set the standards for the rest of the world. Hence American contractors and American engineering companies have been the preferred suppliers in many parts of the world. In mass production industries like passenger cars, too, the U.S. is the country where manufacturing techniques have been developed to the furthest extent, giving American machine tool makers, for instance, a powerful position in world markets. The immense American strength in engineering is one of the major contributors to the U.S. trade surplus in manufactured goods. The Germans and the Americans are so well entrenched in some of these markets that they will take a great deal of dislodging, but the Japanese are coming up fast. A substantial increase in Japan's relatively low share of world trade in non-electrical machinery seems certain. It remains to be seen at whose expense the Japanese gains will be made.

G.O.

## U.K. SHARE OF WORLD EXPORTS BY SECTORS 1963-71

	(mechanical engineering only)	
	1963	1971
	%	%
Tractors	36.4	29.1
Paper-making machinery	19.0	17.9
Rollers and boilerhouse plant	17.9	17.5
Internal combustion engines	25.7	18.6
Printing and bookbinding machinery	14.3	14.5
Food processing machinery	17.2	14.1
Construction and mining machinery	20.0	14.0
<b>TOTAL MECHANICAL ENGINEERING</b>	<b>18.0</b>	<b>13.6</b>
Textile machinery	18.7	13.1
Taps, cocks, valves	17.2	12.7
Mechanical handling machinery	16.5	11.7
Agricultural machinery	14.0	11.6
Pumps	13.1	11.4
Office machinery	10.7	10.1
Milling mills	11.3	9.3
Ball and roller bearings	10.4	8.1
Packaging and bottling machinery	14.4	8.2
Railway equipment	13.3	6.3

Source: OECD Statistics.



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# BRITISH ENGINEERING IV

## A varied industry

ASK THE questions: "What is the engineering industry?" and the replies can be as varied as the industry itself. To the Engineering Employers Federation the British engineering industry "is Britain's major creator of wealth, employing some 3.9m. people and producing over 50 per cent. of visible exports. In addition its overseas earnings, royalties and payments for technical innovation make an important invisible contribution to the U.K. balance of payments."

But a leading firm of stockbrokers believes that "although it is customary to refer to the engineering sector, any sense of homogeneity implied by the term is largely illusory." Henry Cooke, Lumsden and Co. go on to say that the common thread is the use of metal as a principal raw material. There is a similarity to the labour skills required and the general market for capital goods takes a large slice of the engineers' output. However the markets served by engineering companies vary widely.

This survey will concentrate mainly on mechanical engineering and electrical engineering. In output terms these rank second and fourth among U.K. manufacturing industries. The 1975 Census of Production Reports show that the food, drink and tobacco sector tops the manufacturing list with an output of £17.6bn., mechanical engineering is next with an output of £9.45bn., chemicals and allied industries, £8.85bn., and electrical engineering, £7.36bn.

### Structure

The mechanical engineering industry consists of a group of industries making all types of machinery, machine tools, industrial engines, mechanical handling equipment, construction equipment and industrial plant. About half the industry's production is for the home market.

The major customers for the heavy equipment sectors are the nationalised fuel industries, the chemical industry and the British Steel Corporation. A wide range of equipment is supplied to the building and construction industry.

Demand for other types of equipment comes from all the production industries in Britain.

There are about 950,000 people employed in mechanical engineering. In the electrical engineering sector the number is about 780,000.

The electrical engineering industry makes and installs a wide variety of equipment which includes all types of generating, transmission and distribution equipment, motors, telecommunications and broad-

casted equipment and domestic electrical appliances. Domestic equipment includes heating and cooking equipment, washing machines and dryers, refrigerators, vacuum cleaners, irons and electric kettles.

Other major businesses in the electrical engineering sector are those making electrical equipment for motor vehicles and aircraft, electric lamps, light fittings and batteries and accumulators. The industry produces cables and wires for the distribution of electric power, for telecommunications purposes and so on. The U.K. supplies a large proportion of the world's submarine cable requirements via four large groups: British Insulated Cables, Pirelli General Cable Works, Standard Telephone and Cable and Telephone Cables (subsidiary of GEC).

ELECTRICAL ENGINEERING		
Sector	Gross output '000 £m.	employees '000
Electrical machinery	1,490	143.8
Radio, radar and electronic capital goods	857.5	97.1
Radio and electronic components	832.4	126.4
Telegraph & telephone equipment	790.4	100.3
Insulated wires and cables	697.4	46.2
Broadcasting equipment	661.8	49.2
Domestic appliances	642.4	62.4
Computers	615	23.0
Electric lamps, light fittings	374.1	49.6
Electrical equipment for motrs, aircraft, cycles	285	45.2
Batteries	205.8	18.6
Misc. electrical goods	864.8	110.4

Source: 1975 Census of Production. Provisional results.

British industry manufactures almost every type of industrial plant—including process plant—and steelwork. Of particular importance are fabricated products such as pressure vessels, heat exchangers and storage tanks for chemical and oil refining, process plant, steam-raising boilers, including those of high capacity for power stations, sintering plant, metallurgical furnaces and plant, lime and cement kilns, nuclear reactors, water and sewage treatment plant and fabricated steelwork for bridges, buildings and industrial installations.

The industrial plant industry takes in both equipment manufacturers and contractors who are responsible for the design, engineering construction and commissioning of complete plants for the process industries.

British manufacturers have contributed to major advances in process technology and are carrying out major plant projects in many overseas countries as well as in the U.K.

Gas turbine engines for industry, particularly for power generation in the fuel industries, provide another thriving sector of the industry, as does the industrial engine business which includes those derived from aero-engines.

Industrial pumps, valves and compressors are vital components in many industrial processes, particularly in chemicals, oil and electric power industries. The fluid power sector makes oil hydraulic and pneumatic equipment for operating machinery and construction and other equipment. These powerful and flexible systems are finding many new applications.

Machinery and accessories for the manufacture and processing of yarns and fabrics from all types of natural and man-made fibres are produced by the textile machinery sector in Britain which is noted for the range, scale and versatility of its operations. British inventions have remained the foundation of many textile processes in use internationally and good progress has been made in developing automation in the industry.

Machinery for food and drink preparation, processing and sterilisation is another important sector. Refrigerating machinery (excluding domestic equipment) is used for food and drink processing but this sector also covers plant for ships, vehicles and equipment for conducting drinks, and food and catering industries.

Britain was the birthplace of the modern machine tool industry and many advanced types of metal-cutting machine tools are produced. It is an industry which has some strategic importance (its products are used by most other engineering sectors) and is particularly labour-intensive so, it has attracted more than its share of Government attention.

Government aid is being offered to promote the development of new products, to rationalise existing ranges and to improve production facilities

and machinery. Rationalisation of the machine tool sector has left the bulk of manufacturing capacity in the hands of ten large companies which between them account for about half the country's total output.

About a quarter of the metal-cutting tools produced in Britain are lathes; other important groups are metal forming machines and grinding, honing and lapping machines.

Britain is a major producer of numerically controlled machine tools, including drilling machines, lathes and machining centres.

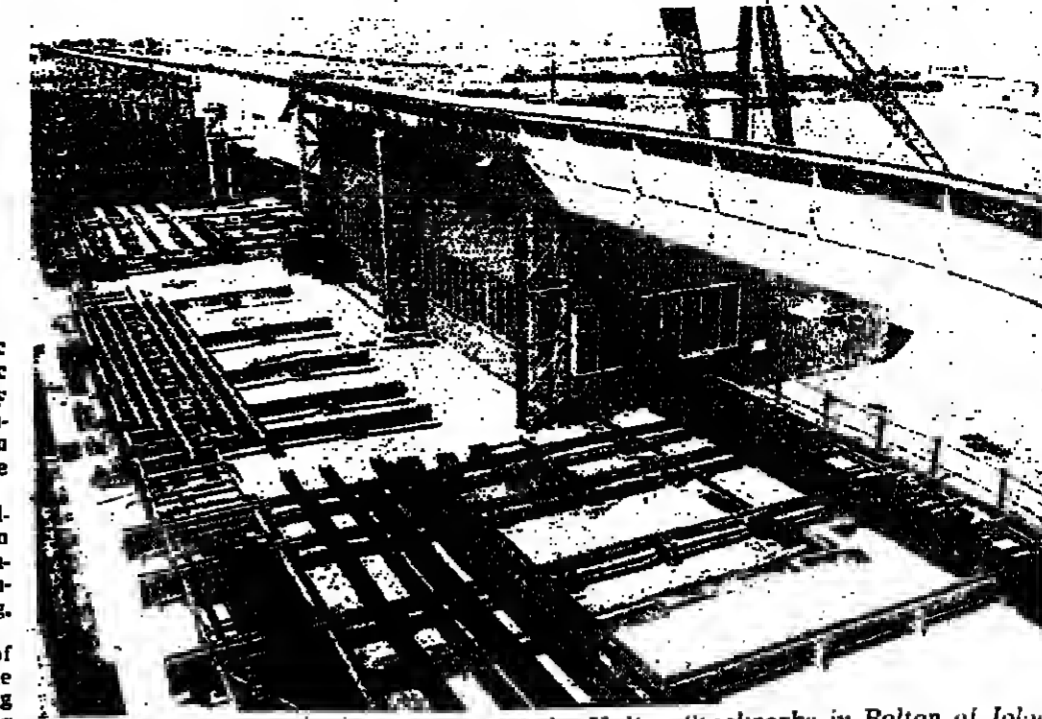
Almost the whole range of plant required by the construction industry is produced in Britain, including excavating, earth-moving and road-making equipment, pile drivers and quarry crushing and screening plant.

Mechanical handling equipment is used not only for construction and related activities but throughout industry generally. It extends from individual units and accessories to complete operating systems. The main products are cranes and bridge transporters, lifts, escalators, conveyors, elevators, hoists and industrial trucks. Electronic control and completely automated handling systems are among the techniques developed in recent years and offered by British companies.

### Agriculture

The agricultural machinery sector (excluding tractors) includes a wide range of equipment for general use and many special-purpose machines such as hop-picking machines, fruit harvesters and root harvesters. Much of the machinery is designed to be used in a variety of conditions to meet the needs of overseas farmers because exports are very important to the

Kenneth Gooding



The new steelwork treatment plant at the Hullon Steelworks in Bolton of John Booth and Sons.

manufacturers in this part of engineering.

Britain's office machinery sector has been expanding rapidly and takes in non-electronic data processing and handling equipment, duplicators, typewriters, accounting machines, cash registers and electronic calculators.

The other major products in the mechanical engineering industry include printing, book-binding and paper goods machinery, space heating ventilating and air-conditioning equipment, packaging and bottling machinery, portable power tools and miscellaneous non-electrical machinery such as boot and shoe-making machinery, laundry equipment, automatic vending machines, plastic working machinery and other specialised equipment.

Alongside the companies manufacturing mechanical engineering products are those whose main job is to supply parts and components and to take on general sub-contracting, fabricating and repair work. Particularly important is the production of ball, roller, needle and other bearings, about a quarter of which is for the motor industry.

### MECHANICAL ENGINEERING

Sector	Gross output '000 £m.	employees '000
Industrial (including process) plant and steelwork	1,879.9	164.2
General mechanical engineering	1,278.6	167.2
Pumps, valves, compressors	943.4	87.9
Construction, earthmoving equip.	788.8	41.6
Mechanical handling equip.	724.9	62.1
Machine tools	497.6	57.6
Textile machinery	442.1	36.8
Refrigeration machinery, space heating, ventilation and air-conditioning equipment	426.4	46.6
Mining machinery	369.7	21.5
Industrial engines	317.2	27.4
Agricultural machinery (excl. tractors)	310.9	23.4
Food, drink-processing machinery, and packaging and bottling machinery	305.0	28.9
Ball, roller and other bearings	269.7	33.1
Office machinery	201.6	21.8
Ordnance and small arms	196.2	20.1
Printing, bookbinding and paper machinery	128.9	13.5
Scales and weighing machinery, portable power tools	104.8	12.1
Other machinery	1,227.9	122.8
Precision chains and other mechanical engineering	1,068.9	134.1
Misc. non-electrical machinery	818.1	84.8

Source: 1975 Census of Production. Provisional results.

## Changes in Government involvement

THE CREATION of the National Economic Development Office in 1962, together with its associated Economic Development Committees or "Little Neddies" for individual industries, reflected the Government's determination to find new ways of improving the U.K.'s industrial performance. From the earliest days of engineering was given special attention because of its crucial position in the economy. Economic Development Committees, containing representatives from management, unions and Government, were set up for mechanical engineering, machine tools and electrical engineering; some of the specific Government measures designed to assist the engineering industry have emerged from the work of these EDC's.

Critics might say that the practical results have not justified the time and effort devoted to these tripartite discussions and that there has been a significant improvement in the performance of certain sectors it has been due more to the efforts of the individual companies concerned than to the intervention of Government. At the margin, nevertheless, some benefits may have been achieved: at the very least civil servants and Ministers have been made more fully aware of the complexities of the engineering industry and of the factors which influence its performance.

One of the subjects of particular interest to the Government has been research and development. It has often been said that the value per ton of the engineering products exported from the U.K. is lower than that of engineering imports suggesting that British companies may be falling behind in the more technologically advanced items of machinery for which demand is likely to grow faster than for simpler, standard products. At the same time it has been claimed that the reluctance of the engineering industry's customers to take the risk of installing an untried machine, however advanced technically, has been an obstacle to progress. Hence in a variety of ways, including pre-production contracts for advanced machine tools, the Government has tried to reduce the risk and the expense involved in the development of advanced machines.

The Government has to some extent been trying to correct the imbalance in the U.K.'s research and development effort, which has long been weighted in favour of high-technology industries such as aerospace, nuclear power and

electronics. There has been insufficient expenditure, both by Government and by the manufacturers, in the "bread and butter" sectors of engineering on which the country's trade performance primarily depends. In many branches of engineering, however, technical progress is gradual and depends on extremely close contact between supplier and user: apparently spectacular breakthroughs can often end up as white elephants, either because they are ahead of their time or because they are insufficiently attractive in straight commercial terms.

A second strand in the pattern of Government intervention in engineering has been structural change, based on the belief that, in certain sectors at least, mergers and acquisitions would produce companies with the size and resources necessary to compete effectively in world markets. This was the rationale behind the setting-up of the Industrial Reorganisation Corporation in 1966: much of its work was concerned with the engineering industry. The most dramatic result—and some would say the IRC's most important achievement—was the rationalisation of the heavy electrical industry through the merging of GEC, AET and English Electric.

The IRC was also active in mechanical engineering, but with less impressive results. While it was able to bring about some structural changes in such fields as cranes (mainly centred on Clarke Chapman), mining machinery and compressors, strenuous efforts in other sectors, such as mechanical handling, pumps and agricultural machinery, produced little result.

Towards the end of the IRC's existence—it was closed down by the Conservative Government in 1970—it began to be recognised that in much of engineering size was not crucial to success in world markets. Some of the most formidable German companies, for instance, were relatively small firms which had specialised in a fairly narrow product range and achieved world leadership in it. This was particularly true of machine tools, but it applied also to a good many other capital goods sectors where the design and performance of the machine, not the scale of its production, determined whether the company succeeded or not.

This factor, together with the disappointing results of some of the IRC-inspired mergers, working party is charged with identifying these problems and

the Government stands ready to assist in solving them.

It is easy to be cynical about this exercise, especially in the light of past working parties some of which tended to end up as talking shops. A not insignificant amount of public money has been spent on conducting surveys of the world market for such products as construction equipment and agricultural machinery: it is difficult to point to concrete results in terms of improved performance by the companies for whose benefit the surveys were carried out.

### Judgment

At this stage of the industrial strategy no definitive judgment can be made as to the effectiveness of the sector working parties. Of more obvious benefit to industry have been the various Industry Act schemes which the Department of Industry has set up for specific sectors. Including machine tools, textile machinery and printing machinery. Through these schemes financial assistance is made available in attractive terms.

The range of assistance includes concessionary loans and interest relief grants for up to 50 per cent. of the cost of new product development; 30 per cent. grants on new plant and machinery; 15 per cent. grants towards expenditure on new buildings; loans or grants for such projects as rationalisation of restructuring; and 50 per cent. grants for smaller companies towards the cost of employing consultants. The general objectives of these schemes are to promote the development of new products, to improve production facilities, to rationalise existing product ranges and to improve management techniques.

The response of industrialists to these schemes, and to the wider-ranging accelerated investment scheme, has been positive. They have been impressed by the speed with which their proposals have been handled and by the understanding which the civil servants have shown of their problems.

The civil servants, for their part, are well aware that their financial contribution can do no more than prime the pump: it is the industrialists themselves who have to make the investment decisions. But it is arguable that Government assistance on this more practical, more modest and more realistic basis is more likely to achieve results than the over-ambitious schemes in transfused cotton industrial sectors which have been attempted in the past.

G.O.

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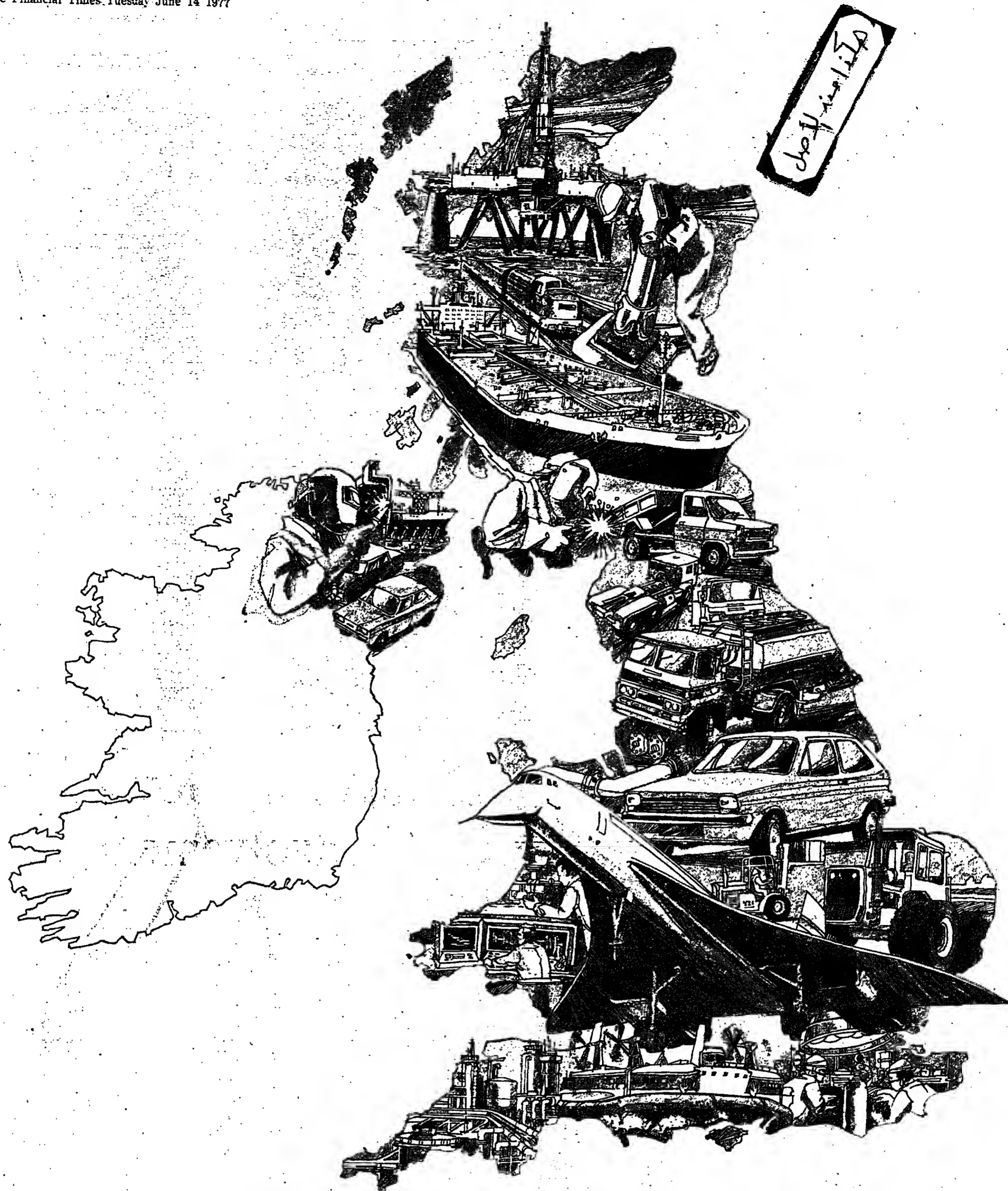
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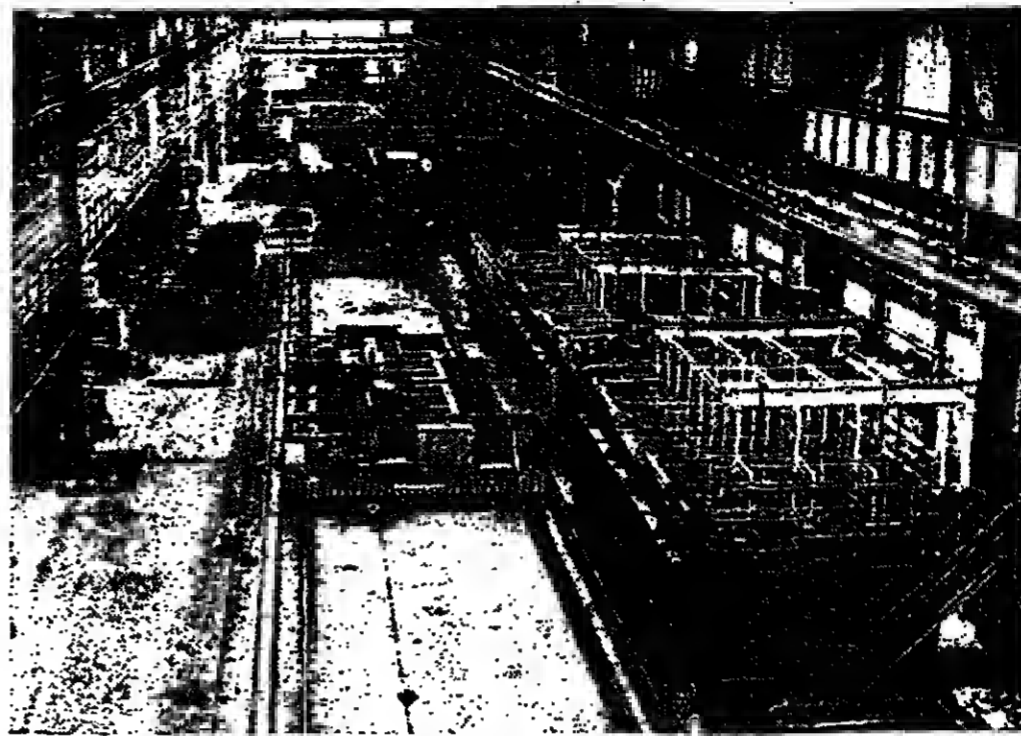
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# BRITISH ENGINEERING VI

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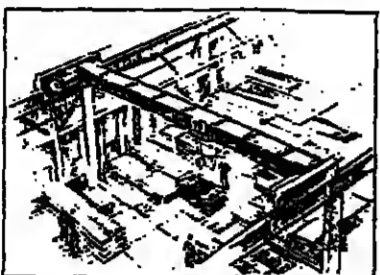
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ENGINEERS IN THE U.K. find the skills it requires at all levels when it has a reputation for poor pay structures and reluctance to promote anyone under 30?

The failure of the industry to put its views across has resulted in the off-handed treatment it has received from successive governments. On a more personal level, the low salaries paid to professional engineers is just one more reflection of their lack of status. Doctors, lawyers, architects and so on all attract higher salaries in the U.K., something which does not happen elsewhere in Europe. The Council of Engineering Institutions reckons, for example, that the engineer in France is 35 to 40 per cent better off than his British counterpart, even after taking into account higher living costs.

One way this particular problem might be dealt with is for the professional engineers to become unionised. The latest CEI salary survey is now a little out-of-date as it was published in 1975 but it showed that engineers belonging to unions were on average paid 5 per cent more than non-unionised professionals. The CEI has recommended that professional engineers join unions (six out of ten are not union members at the moment) but for reasons which have nothing to do with pay problems. The CEI also suggested that the professional engineers should join only those unions which are not TUC affiliated, a suggestion which did not go down too well with those unions which are affiliated and have been recruiting energetically from the profession over the past two years. Unions like the Engineering Managers Association (formerly the Electrical Power Engineers Association) would argue that it is through union membership that the professional engineer can get the recognition he deserves.

There are many technical difficulties inherent in this suggestion (who would do the licensing, for example) and as most engineers are employed by companies and do not deal directly with members of the public in the way that doctors or lawyers do, it is difficult to see how licensing would help to improve significantly the engineer's status. In these circumstances the recent demands for a full-scale, government-sponsored inquiry into the state of the engineering profession are understandable. Mr. Eric Varley, the Secretary of State for Industry, is still considering this possibility. Those in favour of an inquiry believe that the publicity it would attract would be highly favourable to the engineering profession and bring home to the public its importance to the U.K.'s economy. Those against the idea insist that the immediate assumption by people outside the profession on hearing that an inquiry was to take place would be that something was badly wrong and cried out for attention. This could have a damaging effect on

U.K. engineering as a whole if overseas customers suffered some loss of confidence.

The CEI's president, Sir Charles Pringle, has no doubts at all and has written to tell Mr. Varley that "a government inquiry is neither necessary nor desirable."

It is not necessary, says Sir Charles, because most of the matters which might concern the inquiry are already being dealt with. He argues that if the inquiry was to look into the lack of chartered engineers or perhaps the need for the individual engineer to have a greater say in the way the profession is run, this would be unnecessary because the CEI's new charter, currently awaiting Privy Council approval, covers these points.

Should an inquiry look into the training of engineers? The British Association inquiry, through Aston University, is covering this ground.

Should it look into the question of compulsory registration? The CEI is examining this subject too. Should there be a trade union for all engineers? The CEI has given advice on this subject, points out Sir Charles.

"And what have government inquiries achieved in the past except changes for change's sake?" he adds.

Among the proponents of the inquiry idea are the trade unions, whether TUC-affiliated or not. They certainly expect that an inquiry would promote trade unionism among the professional engineers.

There is general agreement among both the professionals and within the engineering industry as a whole that public relations need to be improved. There is also agreement that in the field of education that

the major effort to promote the image of engineering should be made.

"We want a good flow of high quality people into the profession and so we have to put over the importance of engineering in the public," Sir Charles Pringle says. And at the Engineering Employers Federation, Mr. Ted March, the director, declares: "The fundamental issue is the image of the industry. More and more companies recognise this problem—the problem of getting the right people into the industry."

Image  
The image will only get better when individual companies do something about it. Every one of the EEF's 6,000 member companies should develop close links with one school in their area. This would put over the idea that the U.K. needs manufacturing industry if we are to have a reasonable standard of living.

There are others who also believe this is one way to improve the industry's image. Dr. George B.ogan, president of the Institute of Production Engineers, suggests that the factory should become a focal point in the community, encouraging people around to discover what it is achieving and what it hopes to achieve.

The engineers have some hopes that two new organisations might provide the powerful "voices" they need on the public and government relations front. The professionals pin their expectations on the Fellowship of Engineering. The establishment of this body was announced just over a year ago. The Fellowship is made up of 136 distinguished British engineers and the plan is for 40 or so to be elected

to its general council but executive action is taken through a management board. This has a similar membership to the council but is smaller.

### Information

The 20 regional associations have a high degree of autonomy. They vary widely in size. A large association like the West Midlands has member companies employing over 350,000 people. By contrast, South Wales covers 4,000 employees. It is the associations which bear the brunt of providing the negotiating expertise, information and advice to the member companies.

Four or five years ago it became obvious that it was no longer possible to deal with industrial relations in isolation. The Federatin had to widen its scope to take account of other issues. So it now concentrates on five areas of activity—industrial relations, legal services, manpower and training, representation and commercial affairs.

With this widening of activity the EEF became much more closely involved in the kind of affairs with which the trade associations are linked. But insists Mr. Ted March, the EEF's director, "there is a question of us usurping the powers of the trade associations. The trade associations will carry on with their tremendous technical know-how while the federation will deal with the problems common throughout engineering."

In this end the chief officials of 18 of the bigger associations

K. G.

## The professional bodies

NOBODY SEEMS to know exactly how many trade associations there are which in some way are connected with the engineering industry. But one authoritative estimate is that there are 350 of them. This is just one indication of the wide scope of U.K. engineering. Many of the trade associations are able to survive with a part-time secretary to organise their affairs but, as with their bigger brothers, they exist because they look after their members' interests and their members think enough of them to pay the fees.

The common denominator among all the trade associations seems to be their ability to analyse the impact of legislation on their particular part of the industry and offer advice to members about what new laws require of them. In Britain there is seldom a shortage of legislation, either proposed or just enacted, for trade associations to study.

A new element has been added in recent years since the U.K. became firmly established as a member of the European Community and began to play its proper part in European affairs. Trade associations have an invaluable role as advisers to the U.K. Government's representatives about the technical details as the EEC attempts to harmonise trading practices.

Some of the larger engineering trade associations spread the services they offer over a much broader area, in particular offering what might broadly be described as marketing services. They organise overseas selling missions for members and often bring buying missions to the

U.K. When a trade association sponsors a mission the British Overseas Trade Board can provide some financial support—if it decides the mission is worth such support. That support is not available to individual companies. Usually the names of the trade associations speak for themselves. There is, for example, no misunderstanding about what kind of companies are members of the Machine Tool Trades Association or the Ball and Roller Bearing Manufacturers Association.

### Problems

There are some problems which are common to many engineering companies not necessarily in the same line of business. For this reason a different type of trade association has sprung up, one which attracts companies from a wide area of engineering.

Among them is the Engineering Industries Association which claims to be the largest of Britain's engineering trade associations. It has nearly 4,500 member companies throughout the U.K. and has nine regional offices. Each of the regions has four or five area groups where members meet once a month to compare notes on such things as the state of order books, cash flow problems, labour relations and so on. The idea is that a company can judge its performance against the others in this way.

The EIA says that its principal role is to provide trade promotion and trade protection for its members. On the promotion front it sponsors many

exhibitions throughout its regions as well as organising overseas selling missions. The trade protection aspects involve the provision of advice to members who might be in some trouble, perhaps over a legal issue. The EIA never goes in to bat as an association, however, but restricts its services to giving individual members advice.

Many of the EIA's members are small companies and its main role is to be an organisation offering specific services to the smaller engineering concern.

The EIA speaks up on behalf of its members whenever it feels its voice should be heard in a public debate. It reckons that the engineering trade associations would carry more weight if they were not so fragmented. For this reason it hopes to encourage some of the small trade associations to merge with the EIA and thus give it more strength.

The idea that unity is strength is not a new one. Dr. E. H. T. Hoblyn, at the time of his retirement as deputy director of the Process Plant Association last year, took as his theme the assertion that the U.K. has too many engineering trade associations. He suggested that the PPA had the right kind of structure on which it could build by bringing in other specialist associations with a technological relationship to it. "This way the base can be widened and a bigger and stronger umbrella organisation created with a staff geared to carry out a broader spectrum of work than is physically possible at the

moment and from which the industry would surely benefit." In particular, the PPA, like many other trade associations, needed a bigger base so as to match its counterparts in the European Community, Dr. Hoblyn added.

In recent years, when the industry has felt more and more that its importance has been underrated and that it has not been given a fair hearing by Governments, the demand for a strong central organisation for engineering companies has been growing fast.

To some extent that role seems to have been taken on by the Engineering Employers Federation. The EEF built its reputation on a narrow base, being almost solely concerned with industrial relations in the industry. Nationally, the federation negotiates minimum wages and conditions with the Confederation of Shipbuilding and Engineering Unions. And the national agreement which is negotiated applies to all federated engineering companies. Those companies influence the national negotiations through their 20 regional associations.

Continued on next page



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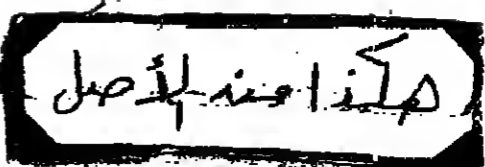
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# Institutions plough their own furrows

THE ROLE of the U.K. engineering institutions is quite clear and well-established. But there is still some heart-searching going on about the central organisation, the Council of Engineering Institutions (CEI).

There are 50 or so institutions in Britain and they all exist to disseminate information, to be "learned societies" for their members. By organising lecture programmes and publishing learned journals, they enable engineers to keep up to date with the latest developments within their particular disciplines.

Many engineers belong to more than one institution and there are inter-disciplinary lectures arranged by institutions when there is common ground to be covered.

"Engineers still prefer to have lectures about their own particular discipline. And this is very well done by the separate institutions," explained Sir Charles Pringle, this year's chairman of the CEI. He does not believe in the idea that there should be one large, central body for engineers to take on the "learned society" role.

## Tendency

However, instead of a tendency to merge, the engineering institutions are becoming more numerous. This is easy to understand in the light of Sir Charles' explanation—that engineers like to hear about their own particular "patch." As new disciplines have emerged, so new institutions have been formed.

To take a couple of obvious examples, during the post-war period the Institution of Nuclear Engineers has sprung up (its members are involved in power stations, not weapons) as has the Institution of Building Services Engineers which for most of its life was known as the Heating and Ventilation Engineers Institution.

The basic need the professional engineer seems to feel for specialisation also shows within the larger institutions which tend to be split into various interest groups. For example, the Institution of Mechanical Engineers has no fewer than 13 disciplinary groups ranging from applied mechanics to tribology. Two of the 13 are described by the Mechanicals as "divisions" because of their importance—they are "railway" and "automobile." Members can join as many groups as they like.

The institutions work via branch networks. There is little likelihood of a busy engineer wanting to spend time and money to attend all the lectures in London if he lives far away from the capital. So the institutions take the lecturers to the country. To quote the example of the Mechanicals again, the institution has 20 branches, including five overseas branches.

Because there is such a wide variety of disciplines and such a proliferation of interests within the profession, it is not surprising that the central body, the CEI, has been riven by internal arguments almost since the time it was set up some 12 years ago. The situation was not helped by its extremely democratic but very time-consuming approach to the profession's problems.

There was an earlier grouping, called the Engineering Institutions Joint Council, and it was from that source that the CEI emerged. Its declared aim is to "promote and maintain

in the public interest the unity, integrity and quality of the engineering profession."

With this in mind, it is much concerned with the establishment and continuing improvement of standards of qualification, competence and conduct for engineers.

It is the registering body for chartered engineers, technicians and technicians. And it is supposed to act as spokesman for the profession in matters of national and international importance.

The CEI's Royal Charter gives it the authority to grant the title "Chartered Engineer" (C.Eng.) which denotes a level of overall professional competence acceptable to the CEI (and hence other engineers).

"To become a Chartered Engineer, a person must be a corporate member of one of the constituent institutions of the CEI; be at least 25 years old; have attained an academic standard recognised by CEI as equivalent to its own examination (that is a degree or equivalent in engineering or accepted related subject); have undergone a minimum period of training and professional responsibility which varies according to the institution concerned but which will not be less than three years in aggregate.

"We believe that a Chartered Engineer should satisfy certain academic requirements; should have practical experience; and the facility to update his knowledge by belonging to one of the learned institutions," Sir Charles Pringle sums up.

At present the CEI administers the examinations for potential members of 15 member institutions and keeps a register of chartered engineers, technicians engineers and technicians in another 34 institutions. There were at a recent count about 211,000 Chartered Engineers registered but, the total probably comes down to something like 170,000, once multiple registrations are taken into account. The number of technician engineers registered was roughly 42,600 and of technicians, 15,000.

## Projection

It took the CEI nearly two years to decide on the minimum standards of qualification, just one sign of the way the cumbersome "federated" structure slowed down progress. For all those years the governing Board of the CEI consisted of three members from each of the 15 institutions. Any decision had to be carried by a three-quarters majority, another projection for the smaller institutions against the might of the "big three," the Mechanicals, the Electrical Engineers and the Civil Engineers which between them represents 60 per cent of the U.K.'s chartered engineers.

To compound the problems, representatives often had to report back to their individual institutions before making a final decision on topics of importance.

Attempts to change this ultimately absurd process moved forward three years ago when the "big three" institutions called for a change of emphasis—the CEI, they said, should be for engineers, not for the engineering institutions.

It took three years and a lot of hard bargaining before agreement was finally reached last July. A supplemental charter now awaiting Privy Council approval will give the CEI a governing Board of 37 people, 15 appointed by the institutions—that is one each—and 15 elected by the members of the institutions by single transferable vote. The other seven would be co-opted and include the chairman, vice-chairman, immediate past chairman, three people from the Engineers Registration Board and the chairman of the regional affairs committee.

On the face of it this has not done much to overcome the out-of-proportion weight the smaller institutions can carry by their votes.

However, in the spirit of the proposals, decision-taking within the CEI has already been speeded up considerably by the

simple expedient of the Board delegating this function to an executive committee of 12 which meets once a month.

And while the delegating process was going on, it was also decided that the chairman should also be given the power to take responsibility when "instant" decisions are called for. Although it is preferred that he acts with at least one other Board member, he can take decisions without referring to anyone else.

The other important change the new Charter will bring is that individual engineers will be able to become members of the CEI. At present membership is only possible through one of the 15 chartered institutions. These changes have come about because of grassroots pressure, particularly from younger engineers.

The same people are looking to the CEI to do more for the

individual engineer in the way of personal services. For this reason the CEI is examining the possibility of setting up a limited company which would, for example, give careers advice to professional engineers, think of changing disciplines, give legal advice and advice on conditions of service, employment and insurance.

What the CEI cannot become, because of its chartered status, is anything approaching a "trade union" for professional engineers.

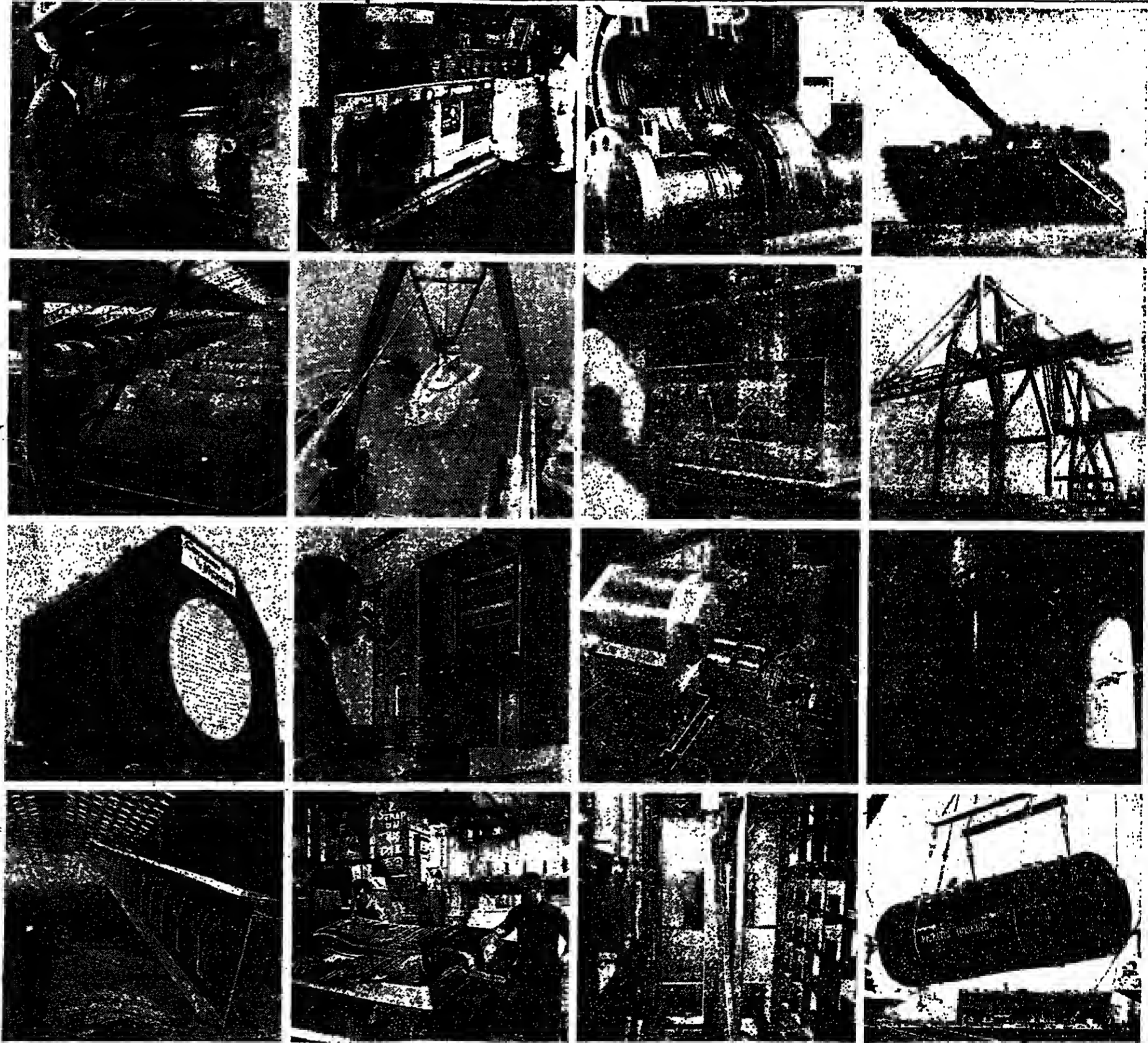
The young engineers are also expecting the CEI to make more impact in the public arena and for this reason the public relations department is to be strengthened.

But as Sir Charles Pringle points out, "the primary task of the CEI is still the advancement of the art and science of engineering."

K. G.



Work on Marples Ridgway's £40m. road building project linking the centre of Iran with the Pakistan border.



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## Professional

CONTINUED FROM PREVIOUS PAGE

regularly meet with the EEF's permanent staff to identify these common problems, those which affect all sectors.

As the official voice of engineering employers, the EEF represents members' views in the Commission in Brussels, the government at Westminster, political parties and the media. It has, for example, made its views on the Bullock proposals widely known.

The federation's line closely resembles that of the CEI in this particular case. And, indeed, the EEF has representation on the major policy committees at the CEI as well as four seats on the CEI Council.

This is regarded by the federation as particularly important since there are a number of areas where engineering needs to put across special representations which are only relevant to its own area of industry.

The EEF also maintains close links with the National Economic

Development Office, supports the industrial strategy programme and is doing its best to make sure that the sector working parties achieve at least part of what they set out to do.

Like many of the trade associations, too, the federation is spending much more time developing its European links, establishing contacts with Continental employers' organisations.

But perhaps the most interesting of the new tasks being undertaken by the federation is the one of providing the industry with the cohesive, co-ordinated voice that it has previously lacked on all but industrial relations subjects.

Demand for this particular "service" sprang from the industry's grass roots as engineering companies came to realise that the more governments intervened in their affairs, the more urgent it became for the industry to find a unified voice.

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BRITISH ENGINEERING VIII

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HAVING EXPERIENCED more than most industrial sectors, the difficulties associated with the past two years of pay controls, the engineering industry, in all its diversity, now faces the current uncertainty over the shape of incomes policy after Phase Two expires next month.

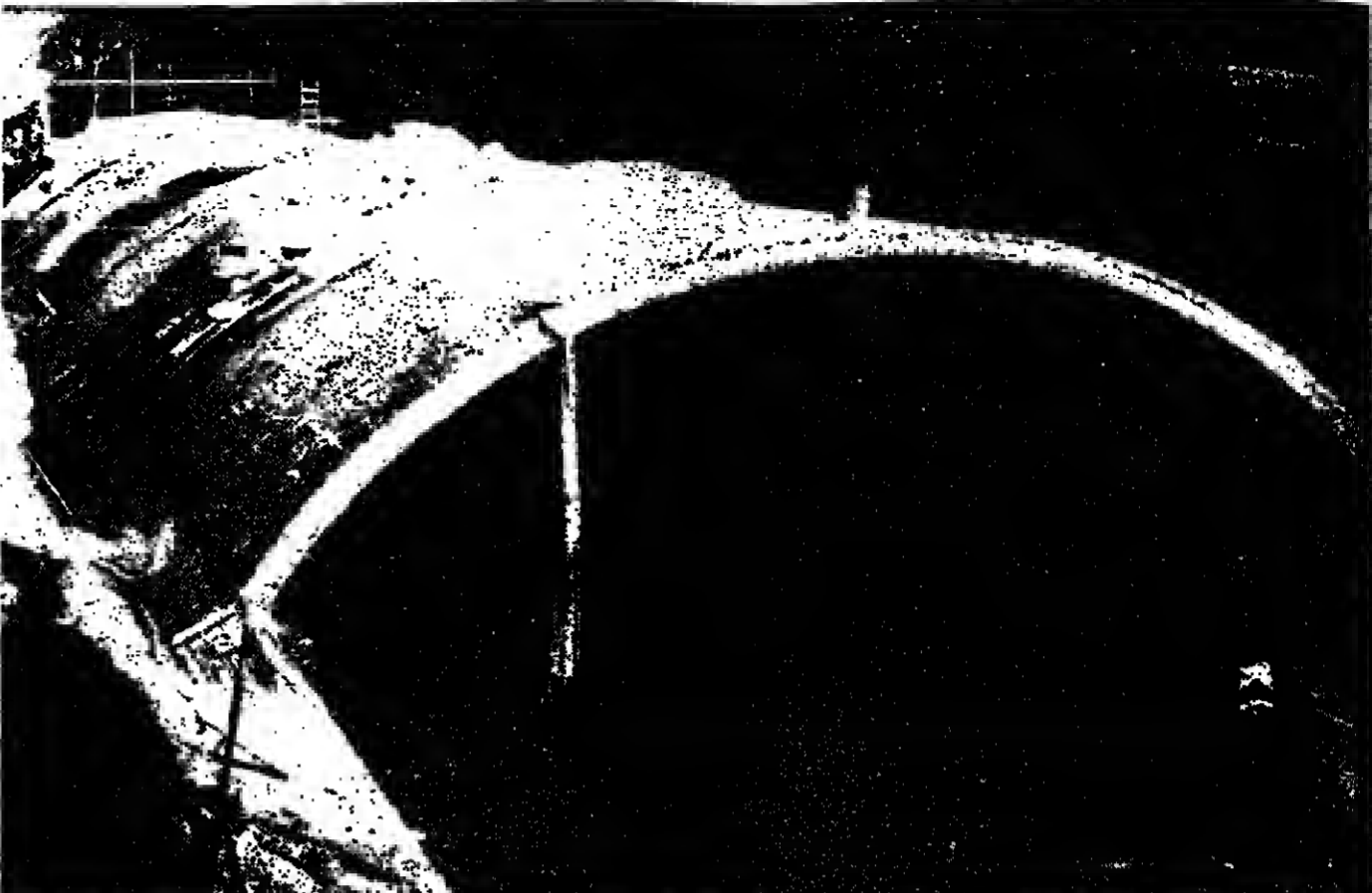
British Leyland's widely publicised problems over the pay differentials of skilled workers may not be typical in scale of those being experienced by other companies; but they do illustrate the fact that after the tight policies of the past two years many wage structures and carefully constructed balances between skilled and unskilled workers are in a chaotic state.

One of the first victims of the present £2.50-£4 pay policy was the engineering industry national wage agreement itself. Unions and employers accepted that with such a rigid strategy there was no point in attempting the industry's traditional two-tier bargaining in 1977 and increases have simply been added as supplements at local level.

Once the shape of any guidelines to replace Phase Two is settled, early decisions will have to be made on the reintroduction of the national agreement. The biggest ponderable at the moment is the fact that the industry's biggest union, the Amalgamated Union of Engineering Workers (AUEW), has declared itself uncompromisingly opposed to any further pay controls after Phase Two. But the union's national committee still has to put figures on its next national claim and it remains possible—should some form of pay guidelines with fixed limits for 1977-78 emerge from Government-TUC negotiations—that the committee might reverse policy and decide to support it.

Although the basic national minimum rates have little resemblance to actual earnings for most engineering workers, with real wage determined at company or plant level, the national agreement between the Engineering Employers Federation (EEF) and the Confederation of Shipbuilding and Engineering Unions has certain advantages for both sides. It enables the unions to do something for lower-paid engineering workers who do depend on the nationally negotiated increases, while it provides employers with a common agreement on conditions across the industry. Improvements in conditions customarily take second place to pressure for pay increases, but with present levels of unemployment employers realise that they can expect a more serious push from the unions for a shorter working week in the near future.

The most significant recent



Constructing a tunnel for the new Tyne and Wear Metro, an ambitious urban transport system due to open in 1979.

**Satisfaction**

Despite some isolated complaints about employers not observing the status quo it is generally agreed that the new agreement is working satisfactorily so far, although with 1976 proving one of the most strike-free years in recent history it has hardly had a baptism of fire. A flexible incomes policy in the coming year—or a return to free collective bargaining—will provide a more realistic test.

It was also decided under the agreement to establish a new forum where leaders of the EEF and the confederation would meet from time to time "to consider matters of mutual concern". This body held its first meeting recently and it is hoped that it will provide an opportunity for industrial relations issues to be discussed outside an atmosphere of immediate crisis.

Notwithstanding the remarkably strike-free experience last year in most sectors of industry—a record which is not being maintained in 1977—the engineering industry can justifiably claim to have greatly improved its disputes position in recent years and, so far as can be judged, employers believe that productivity is holding up reasonably well. Shop stewards, aware that productivity is likely to emerge as a central factor in the strategy to follow Phase Two, are of course ready to negotiate on improved performance with increased incentives.

However, one of the biggest threats to productivity in engineering remains the industry's historic curse—its

inability to attract and maintain sufficient skilled craftsmen to meet its needs even in economic conditions like the present. This has prevented the industry from taking maximum advantage of economic booms in the past and, on current evidence, seems certain to do so again.

The problem has two aspects—attracting of sufficient apprentices and retention of older craftsmen. Between 1963 and 1975 the number of craftsmen including trainees dropped from 754,000 to less than 566,000, according to the Engineering Industry Training Board (EITB).

**Recruitment**

Between 1966 and 1970-71 the intake of apprentices ranged between 18,600 and 21,500 a year. In subsequent years the average was 15,500 and is expected to fall to less than 10,500 in the next few years. This makes it inevitable, says the EITB, that there will be a shortage of craftsmen unless there is a substantial measure of redeployment and change in utilisation of scarce skills.

Quite apart from the difficulties of persuading employers to take on more apprentices during depressed economic conditions, both sides of the engineering industry still feel they are fighting an unequal battle against careers teachers and others in trying to persuade young people that a worthwhile way of life can be found working in factories. The industry is now taking a more active approach in marketing engineering as a career, both to school leavers and graduates.

At the other end of the scale surveys are revealing a disturbing tendency for highly skilled engineering workers to leave the industry after many years to take up unskilled jobs. Pay differentials—more depressed than at any time in the past 20 years—have obviously contributed to this. But there are signs that other factors like job security and status are at least as important. The anger of craftsmen at having to submit

to more rigid industrial discipline than they feel secretaries have to tolerate is frequently expressed in disputes like the Leyland toolroom strike, and pressure for change in these areas is likely.

The other very fundamental issue in engineering at the moment, as in every other industry, is industrial democracy. Both the EEF and the AUEW although from very different viewpoints, are solidly opposed to the Bullock proposals. In the view of the EEF there has been a great change in the industrial relations atmosphere of many of its member companies during the past three or four years, with managements now far more willing to consult their employees and positive efforts being made to get away from confrontation. It is to this that the EEF attributes the decline in the number of disputes and it sees this new attitude, rather than the institutionalisation of worker directors, as the key to further improvements.

For its part the AUEW is suspicious of the likely effect of putting employees into the boardroom and instead believes that private industry should become more democratic through the unlimited extension of collective bargaining into areas which are management's prerogative now.

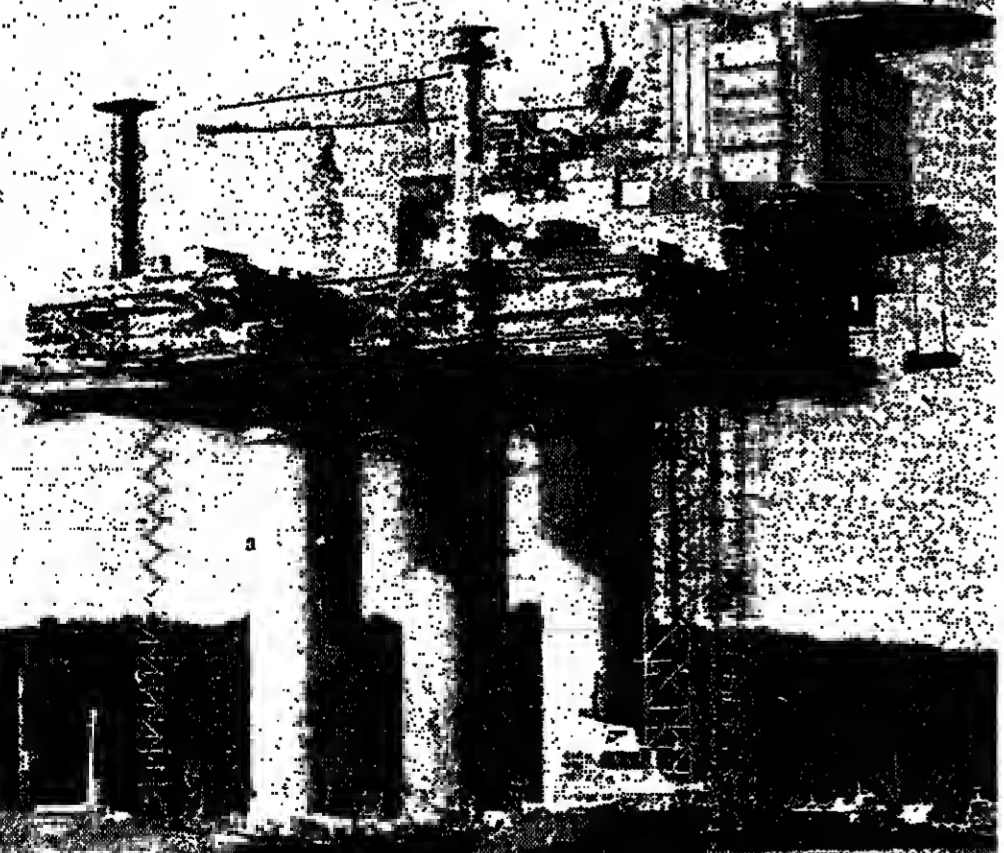
One factor must be taken into account when considering industrial relations developments in the engineering industry. This is the retirement next year of Mr. Hugh Scanlon, president of the AUEW for a decade. Mr. Scanlon, the Confederation's leading negotiator with the EEF and chairman of the EITB, has become a very considerable figure in the industry.

His personal influence on events has often been substantial and both sides of the industry will watch the election for his successor, which begins in the autumn, with the deepest interest.

Alan Pike  
Labour Staff

# Foreign investment still bringing benefits

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THE EVILS of American-owned multinationals are a favourite target for attack by Left-wing politicians, and the presence of so many of them in the U.K. is sometimes seen as a source of weakness. But without them, the performance of the engineering industry, in terms of employment, investment and exports, would have been very much worse. In a number of sectors of engineering—diesel engines, construction equipment, mechanical handling, machine tools—foreign-owned companies are among the leaders in manufacturing efficiency and product design.

Their investments, of course, have not been free of error. Some of their acquisitions have been poorly planned and poorly executed. The assumption that even the most intractable management problem could be put right by the injection of American techniques has proved to be over-optimistic in several cases. The failure of Litton Industries with Imperial Typewriter, leading to the closure of two substantial factories and a sharp increase in imports from Litton's German subsidiary, is one much-publicised example.

Regrettably the exposure given to a case of this kind helps to give multinationals a bad name and is allowed to obscure the far greater number of success stories. The real story of foreign investment in the engineering industry has much more to do with companies like Cummins Engine and Caterpillar, which built their first U.K. plants in the 1950s. They have continued to expand them and to build new factories and they can point to a consistent record of profitability.

Since its first factory was built in Scotland in 1956, Cummins' U.K. employment has risen to more than 5,000; earlier this year a £30m. investment to increase output in the Scottish plant was announced. Similarly Caterpillar, which started manufacturing in the U.K. in 1950, now has three major factories employing nearly 5,000 people. A major project to expand fork lift truck capacity in Leicester is under way.

Companies like Ingersoll Rand in pumps and compressors, General Motors (Scotland) in heavy earth-moving equipment, Cincinnati Milacron in machine tools—these are companies which rarely make the headlines (and only then when something goes wrong), but they represent an element of solid strength which the engineering industry could ill afford to lose.

One of their advantages is the access they have to their parent companies' worldwide marketing networks. Thus Caterpillar, for instance, uses its U.K. plants as the sole European source for certain types of construction equipment, while other parts of the range may be manufactured in France and elsewhere; Ford, IBM, Massey-Ferguson and a good many others follow the same policy.

vestment to increase output in the U.K. It so happens that IBM makes electric typewriters on the Continent and not in the U.K.; this is one of the reasons why the U.K. is a net importer of electric typewriters. It can be argued that it is not entirely healthy for a whole sector of engineering to fall into foreign ownership, as has happened in typewriters; since the demise of Imperial, the only U.K. producers are Olivetti of Italy, and SCM of the U.S. Ideally, no doubt, it would have been preferable to retain a substantial British-owned manufacturer of typewriters with a respectable share of the world market.

Even this proposition is questionable, however, since it ignores one of the essential features of the engineering industry—international specialisation. The U.K. simply cannot expect to occupy a leading world position in every significant sector of the industry. Furthermore, it ignores the fact that some branches of engineering which are almost wholly dominated by foreign-owned companies are among the biggest contributors to exports.

The outstanding example is tractors, where the U.K.'s share of world trade is higher than in any other branch of mechanical engineering. More than 90 per cent of the industry is in the hands of four North American concerns—Massey-Ferguson, Ford, International Harvester and Tenneco (whose subsidiary, J. I. Case, bought David Brown Tractors in 1972). On nationalistic grounds, perhaps, one might have liked the sole British-owned tractor producer, British Leyland, to have achieved a stronger position in world markets, but the fact that the big North American companies have chosen to make the U.K. their main European base for tractor production has brought enormous benefits to the economy.

In practice, therefore, the notion that the multinationals should be restrained from increasing their influence over the engineering industry is erroneous, at least as far as economics is concerned. There may be rare situations in which a "British solution" may be preferable, on national interest grounds, to a foreign take-over and the government may feel justified in intervening.

Thus in 1969, when SKF, the Swedish ball-bearing company, proposed to merge with the leading British-owned manufacturer, Ransome and Marles, the Industrial Reorganisation Corporation intervened to frustrate the deal and to create an alternative grouping, now known as RHP (Ransome Harland Pollard) out of three British-owned companies.

**Justification**

In view of the special importance attached to the ball-bearing industry the intervention may have been justified, but it caused considerable bitterness among the Swedes and perhaps among other actual or potential investors in the U.K. It was seen as something of a blot on the U.K.'s reputation for liberal attitudes towards foreign investment.

There is of course, an important difference between a foreign company building a new plant in the U.K. and a company acquiring an established British concern, especially if that concern seems capable of surviving on its own. One can sympathise with the French Government's dilemma when one of the stars of the French engineering industry, Poclair, the world's leading producer of hydraulic excavators, ran into a financial crisis and had to be rescued by Tenneco. Some critics argued that the French Government should have acted earlier to help Poclair out of its

troubles and so preserve the exclusively French character of the company.

Again, nationalistic sentiments may be offended when a successful engineering company like Weyburn Engineering, which has done outstandingly well in making components for diesel engines, is bought up by a large American group, Carborundum. But the freedom of foreign companies to buy their way into the U.K. (and the freedom of British owners to sell) is an essential element in the vitality of British industry, especially in engineering. Naturally, the Government's main effort is in trying to persuade foreign investors to set up new plants here, but any moves to wards a more restrictive policy on foreign take-overs (apart from the normal scrutiny which all major acquisitions are subject) should be resisted.

What would be desirable is some diversification in the sources of inward investment. There had been hopes that the U.K.'s membership of the European Community would have the effect of encouraging Continental companies to set up here although some have done so, most have preferred to attend the British market by direct exports from their home base. More recently Japanese companies have begun to show more interest in the U.K.; the flow of capital has so far been modest—it has included factories for making TV sets, ball bearings and zip fasteners—and the Government is trying hard to increase it. Just as the presence of American-owned companies has helped to upgrade the quality of British industrial performance, so in the long run the injection of Japanese manufacturing methods and the Japanese corporate style may have a salutary effect on British management.

G.O.

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# Electrical sector has its problems

THE ELECTRICAL engineering industry divides naturally into two halves: that for machines which produce electricity and those which consume it. Both are suffering from the prolonged recession which followed the oil crisis in 1974, and both face a long term structural challenge.

In recent months the power engineering industry, which makes turbines and generators for power stations, has received widespread publicity following a report from the Central Policy Review Staff (Think Tank). It said urgent action was needed to prevent the industry's collapse or severe contraction.

Strategically, the heavy power engineering factories have been considered more important than the sector making electric motors, the consumers of electricity. This is partly because generating equipment depends on a high and constantly developing technology in which Britain has been among the world leaders. It is therefore an industry of high added value, which depends upon the advanced skills available in the U.K., but not so far developed in countries with cheaper labour. Electric motors, on the other hand, can be made in highly automated plants with semi skilled labour, and do not demand anything like the same degree of research and development, at any rate, in the smaller sizes.

Power engineering also makes a greater contribution to the national economy with exports measured in hundreds of millions of pounds rather than in tens of millions as is the case with motors. The Think Tank estimated that the consequence

of allowing the power engineering industry to collapse would be an increase in the U.K.'s import bill of about £350m. a year. By contrast the total U.K. market for electric motors in the range 1 to 500 HP was about £80m. last year, with a balance of trade of only £3m. in the U.K.'s favour.

But perhaps the main reason for the intense focus of public attention on the heavy power engineering industry is that the enormous size of modern sets has made ordering decisions individually far more important than they ever were in the past. Power stations are now rated at 2,000 MW or more, some ten times the size of some stations which are still in use. As a result, the decision of whether to order a particular station now or in two years' time can literally mean life or death for a factory. It is inevitable, therefore, that these decisions have become highly political and that they are tending to be taken more by the Government than by the Generating Boards appointed for the purpose.

However, the important debate on power stations and their supplying industry should not obscure the very critical position of the electric motor industry; for if power engineering provides the nation's energy, the motor industry accounts for a very large part of its muscle power. If, therefore, the motor manufacturers should fail to keep a healthy share of their home market, any general expansion of industry in the future will be attended by either a bottleneck in the supply of motors or a serious increase in the import bill.

The motor manufacturers, like the power engineering companies, are having to face rapidly increasing foreign competition at a time when the domestic market is slack and there is a substantial overcapacity in factories at home and abroad. These difficulties, common to the whole electrical engineering industry (with a few specialised exceptions) are, however, only the starting point.

### Deficiency

The turbine generator industry suffers, in addition, from a basic structural deficiency which has been obvious for several years although it has only recently become the subject of general public debate. The two companies, C. A. Parsons of Eiston, Newcastle, and the General Electric Company are competing in a market which is much too small to support two separate technologies with their associated research and development. Even during the boom period of the 1960s when orders exceeded 10,000 MW in a year, both companies were smaller than their major international competitors. Now, with a prospect of 5,000 MW a year between them at best, it is obvious that they must pool production resources and merge their design efforts. Even a merged company would be considerably smaller than Brown Boveri of Switzerland, the Kraftwerk Union of Germany or General Electric and Westinghouse of the U.S.A.

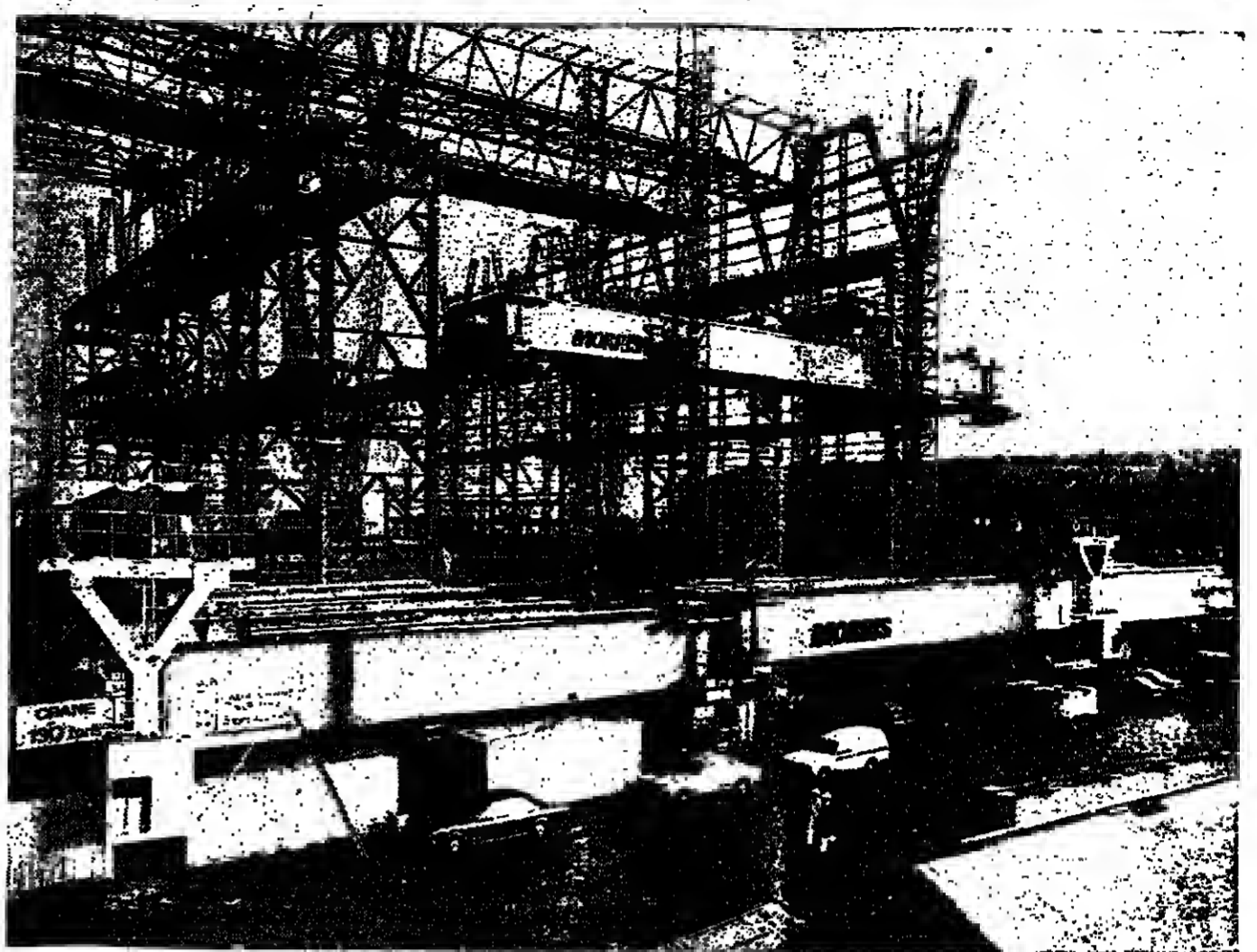
For this reason alone, a merger would appear desirable,

and it has indeed been strongly urged by the Think Tank and the National Economic Development Organisation's Sector Working Party on the industry. There are, however, two further spurs: the first is that after a spate of power station orders in the 1960s, expected demand for electricity has fallen so much that only a trickle of new orders would be needed during the next decade on strict economic calculations.

The present capacity of the Central Electricity Generating Board is some 20 per cent more than it would need even during an exceptionally cold period. It has agreed, under pressure from the Government to institute a steady ordering programme for the 1980s which, together with orders from Scotland, would give the industry 2,000MW a year starting in 1979. But unless the economy grows faster than expected, this already represents generous support for the industry. The Think Tank estimated that such a programme of support would cost a total of nearly £1bn. over the decade.

In addition to the hiatus in domestic orders, the industry's second motive for merging is the increasingly tense competition for overseas orders. The large Japanese power engineering companies, which build under licence from the U.S., have been able to tender down to 30 per cent. lower than British and European competitors.

Furthermore the U.K. companies are handicapped by the fact that Britain has no exportable nuclear power system at present and is unlikely to have



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one until at least the mid 1980s. Since it is expected that about 12,000MW a year of the total 20,000MW orders available to U.K. companies in the early 1980s will be nuclear, and many of them turnkey contracts, there is an additional argument for a rapid consolidation of forces.

These arguments have now been accepted by the Government and by both companies, but it has nevertheless proved difficult to bridge the traditional rivalry between GEC and C. A. Parsons.

GEC, with a stronger order book, much larger financial backing, and according to Government advisers, better management, should naturally take over C. A. Parsons. But until some way can be found to assuage the hostility of the Parsons workforce to GEC, fanned by fears of redundancy, the future of the industry must remain uncertain.

While the problem of the

power engineering industry is one of contraction and rationalisation, the electric motor manufacturers face the perhaps even more difficult job of expanding capacity and increasing efficiency during a recession.

The two main companies in the field are Hawker Siddeley and GEC. Both have failed, in the past, to match the impressive investments in the automated production of small motors which have taken place on the Continent. As a result they were unable to meet the admittedly inflated demand which preceded the oil crisis. Importers, who gained a foothold in the U.K. market then, tended to maintain their hold even during the recession.

Meanwhile the U.K. manufacturers, who have been used to a relatively easy market in the old Commonwealth, are finding the length of foreign factories where greatest difficulty in gaining output per man is about double that in the U.K. At present

lower labour costs in the U.K. tend to cancel out this disadvantage, but in the long term, there seems little doubt that the main market in smaller motors will go to the manufacturers who can match highly automated methods in mass markets.

An additional problem is that the industry suffers a well known four year trade cycle, which means that investment may often need to be undertaken just when orders are lowest. Furthermore, the companies are having to look at substantial capital in stocking to meet the acceleration of demand which they hope will accompany the next upswing.

The electric motor industry, therefore, presents a complex series of commercial problems which, although they are less in the limelight, are in many ways just as acute as those facing the power engineering business.

Max Wilkinson

# Profits better than expected

ON THE WHOLE, the financial performance of the UK engineering industry during 1976 was better than might have been expected from a sector that was earmarked for a financial crisis less than two years ago. Although overall industry profits grew by about a fifth, however, this is still half the rate of profits growth shown by the corporate sector overall and puts into perspective the results achieved last year by the industry. What is of interest is that profits moved ahead, substantially in some cases, against an unhealthy economic background. Investment by manufacturing industry, for example, had by the end of 1976 fallen to its lowest level in real terms for over ten years. The main factor helping to offset this trend in demand at home has been the dramatic fall in the value of sterling during the past twelve months.

The fall in the pound by up to a quarter against leading currencies just about kept pace with the increase in the cost of fuel and material inputs but far outstripped the rise in average earnings in the engineering industry which rose by less than a tenth in the circumstances it would have been difficult for any company with a reasonable export business to avoid either increasing its margins or expanding its share of overseas markets. Last year unit values of exported machinery rose by 25 per cent on static volume but in local terms this was almost cancelled by the drop in sterling. Indeed to a company exporting a third of its output, such an increase in export prices is worth a couple of per cent on total group margins. Companies with overseas subsidiaries also benefited from sterling's fall in drawing up their profit and loss accounts.

The extent to which a falling pound has prevented an outright collapse in the competi-

tiveness of the U.K. engineering industry can be seen from the fact that unit values of exported machinery from the U.K. all but doubled between 1973 and 1976. This compares with rises of just under a half in the case of the U.S. and barely a quarter in the case of West Germany. But while the weakness of sterling has roughly restored competitiveness during the period it is unlikely that this source of support will be available in the near future. While the pound remains firm and U.K. inflation rates continue to outstrip international averages, pressure will reappear on export margins unless there is a substantial recovery in international demand for metal and engineering products. Fortunately the net new order position has been picking up strongly throughout 1976 for mechanical engineering products—rising by almost two-fifths. Sales have not responded to this increase with quite the speed shown at the time of the last pick-up in 1972/73 largely because the order books of many companies are still fairly low and also because of a natural caution to expand production facilities.

### Influence

One other major influence on the financial environment in which engineering companies operated last year was the sharp rise in the price of steel which rose in stages by an average 40 per cent over the 12 months. This gave companies across the industry scope for registering fairly substantial stock profits in their results. A by-product of this has been a noticeable increase in working capital in relation to the recent past in the balance sheets of companies. Crude steel production rose by about 12 per cent but U.K. deliveries rose by less than half that amount and actual consumption showed hardly any increase at all.

In other words steel stockholders restocked vigorously and consumers slowed the rate at which they had been destocking. Unfortunately stockholders found that in many areas the new prices did not stick, thus preventing them from realising stock profits and at the same time pushing up bank borrowings despite the offsetting influence of stock appreciation relief.

Many of these influences were reflected in the results of the leading engineering companies during 1976. Tube Investments, which last August suggested that its second half performance ought to be maintained at recent levels pushed second half profits by over a third to £31.1m. for a full year total of £49.6m. before tax, compared with £42.3m. A clear feature in the results was the falling pound, with 45 per cent of the group's external sales going to overseas customers. An example of this was in the sharp recovery of the group's cycle division, where profits in the second half jumped by four-fifths, as new markets were found to offset the collapse of the U.S. market which hit 1975 results. Overall group sales rose by just 16 per cent implying very little volume increase, and there were stock profits of £8m. out of the steel tube division's £26.6m. pre-interest profits.

It, like many other groups, did not neglect its re-equipment programme and capital spending, which rose from £15.1m. to £22m., is continuing on a rising trend. The impact of this and working capital demands led to a rise in group borrowings of £13m., although half of this represented the writing up in terms of sterling of overseas currency borrowings.

GKN, the largest user of steel in the U.K. and one of the principal steel stockholding operators in the country, reported a 40 per cent increase in pre-tax profits to £97.3m. after £15.7m. of additional depreciation—an aspect of the group's long standing approach to inflation accounting. General engineering fell back by £3m. and although the steel and distribution sides together pushed up profits by £6m., the group as a whole estimated that stock profits amounted to £16m. Almost all the growth came from the motor components division which stands to receive a substantial shot in the arm if the proposed acquisition of a

further 50 per cent. of Sachs, in which GKN already has a 24.95 per cent. stake, is allowed by the German Federal Supreme Court in the next month or so. Steel price rises combined with an initial stock build-up for the group's new rod mill in South Wales, led to a working capital increase of £100m. (excluding currency effects). Capital spending, £68m. last year and scheduled to rise to £95m., combined with this to push debt up from 38 per cent of capital and reserves at the beginning of the year to almost 50 per cent. Hence GKN's hefty £87m. rights issue, its second in two years.

### Talks

Profits at GEC, as a representative of electrical machinery manufacturers, rose by almost two-fifths in the first half of its financial year to September. Of greatest interest on the financial front is GEC's proposed dual international group structure, soon to be unveiled, and on operations. It is the attempt to merge the turbine generator side of GEC and the Parsons business. Such rationalisation has been mirrored elsewhere at the heavy end of engineering in the related talks between Babcock and Wilcox and Clarke Chapman on boiler-making. An important move in process plant contracting was also seen in the recent take-over of Head Wrightson by Davy International to give a broadly based plant manufacturing and contracting group.

The engineering industry has begun to pull itself out of the recession but figures recently released by the Department of Industry showed that the process may well take longer than was once expected—order books in February were barely 3 per cent in volume higher than the low point seen last summer and orders-on-hand remained 30 per cent below the peak established in 1973. Last year's favourable financial factors may not recur in 1977 and industrial capacity at home remains noticeably under-utilised. However, the threat to published profit figures presented by inflation accounting has receded temporarily and the newly proposed treatment of deferred tax by the accountancy profession looks like having a marked, if cosmetic, impact on the reported earnings of engineering companies.

Terry Wilkinson

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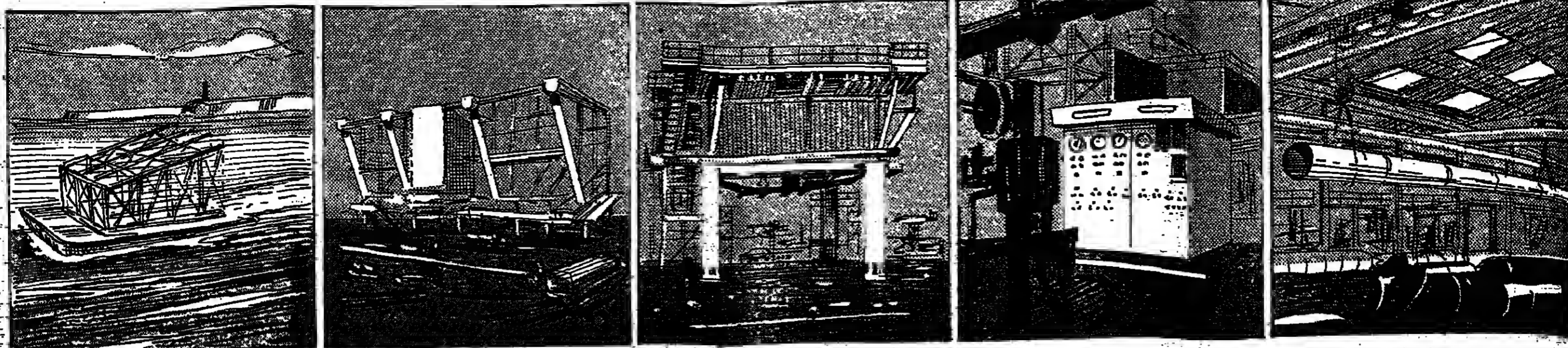
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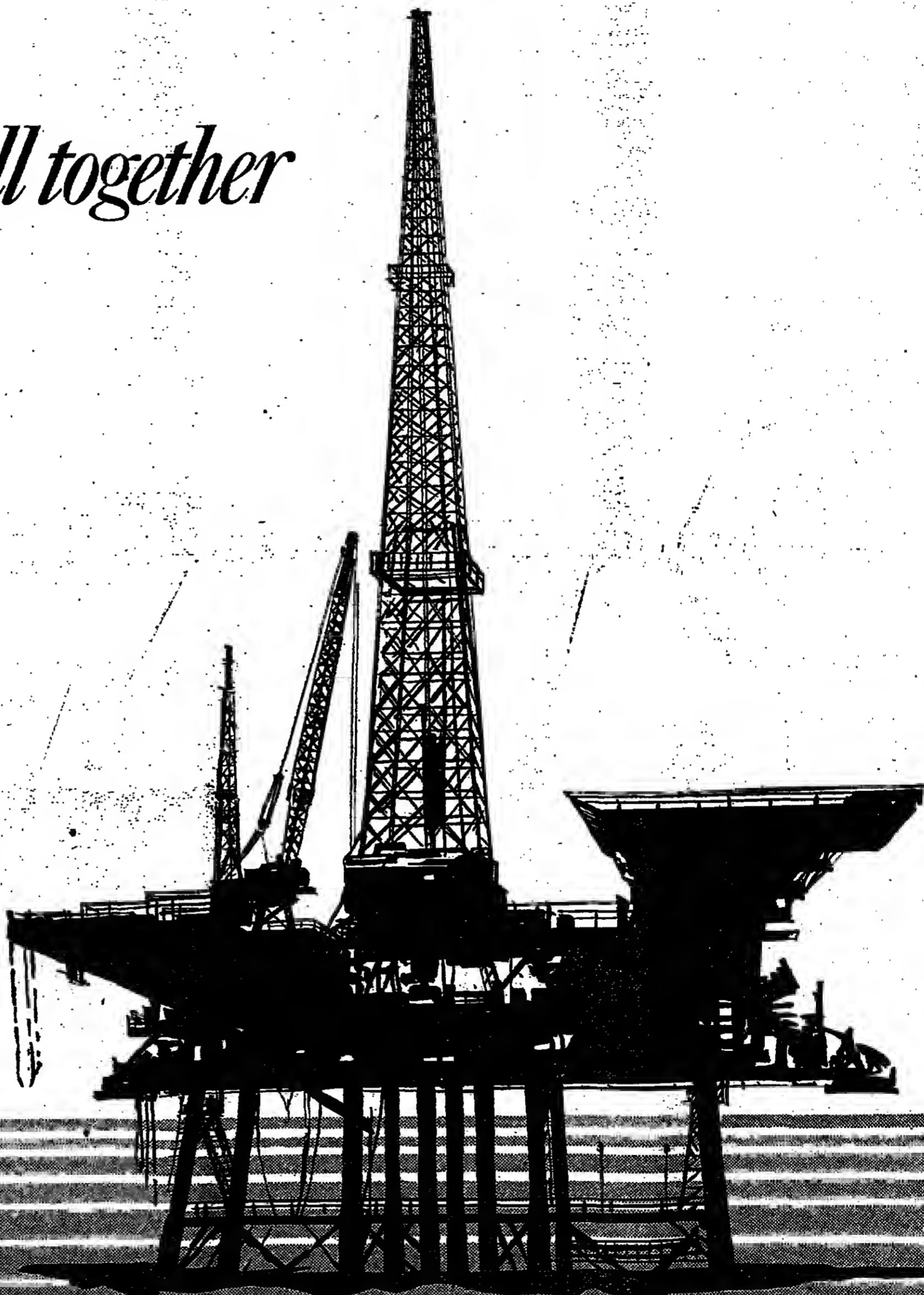
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مكتبة

SOCIETY TO-DAY

BY JOE ROGALY

# Rhodesia: Why Dr. Kaunda is right

BRITAIN WOULD serve its own long-term interests in Southern Africa if it adopted the non-belligerent parts of the policy prescribed for that increasingly tense war zone by Dr. Kenneth Kaunda, the President of Zambia. Not every detail of Dr. Kaunda's prescription for tighter economic sanctions and a tougher diplomatic offensive is essential, and his concomitant desire for direct military assistance is remote from practical politics. But what is important is that the analysis behind his message should be understood, and that British policy should be adjusted in accordance with an appreciation of that analysis.

We shall see the extent to which this has been grasped by the Government when the final communiqué of the Commonwealth conference now in progress is published, probably tomorrow night. The indications are, however, that the British Government—even this Labour Government with its dashing young Foreign Secretary—will once again be cast in the role of brake on the legitimate aspirations of black Africans, rather than accelerator, as it should be.

Before explaining why this approach is likely to be damaging in the not so long run, one must acknowledge the difficulties. Africa has moved on since Mr. Harold Macmillan, with a courage and foresight that is not widely in evidence today, announced the "wind of change" to the Africaners in their own Parliament in Cape Town. At that time most regimes in Africa were colonial and thus, by definition, destined to become anachronistic. The way forward for Britain, which was to get out quick, could be seen with some clarity.

To-day Britain is no longer in command of what happens out there. Its interests, while considerable, are indirect. As the Prime Minister, reasonably enough, reminded his Commons colleagues last Thursday, it was no use imagining that "we only have to raise our little finger for Mr. Smith and even Mr. Vorster to fall in line."

At the same time the dividing line between what appears to be right and what appears to be wrong has become muddled. The brutal regime of General Amin in Uganda may be an extreme exception (and one widely condemned by other African leaders, including Dr. Kaunda); with a few exceptions military dictatorships, civilian autocracies, Communist neo-colonies, and other non-democratic forms of Government prevail. It is at least an even chance that a black successor to the administration led by Mr. Ian Smith in Salisbury will abandon the carefully constructed constitution with which it will no doubt be launched.

### Oil embargo

Again, all specific policies for putting pressure on Mr. Smith or Mr. Vorster or both have their drawbacks. Dr. Kaunda wants an oil embargo, enforced by means of instructions from Britain, France, the U.S. and other oil companies to whose headquarters are within their national boundaries. Oil from South Africa has sustained Rhodesia since the unilateral declaration of independence in 1965; the Republic will doubtless find a way of continuing to send supplies north unless it too faces an embargo. The difficulties of mounting a successful oil blockade against South Africa, with its long coastline are so immense that only a determined superpower, with the full force of its own public opinion behind it, could contemplate such a thing. Even then, success could not be guaranteed.

There are other awkwardnesses about the Kaunda package. Cutting off telecommunications would be good theatre, but its practical effect might be very little. Enforcing sanctions against the banks and insurance companies which, he says, continue to trade from clandestine trading out there might simply serve to enlarge South Africa's growing, and increasingly sophisticated, financial sector.

Above all, British public opinion might react against such a policy. There has always been an ambivalence about the British attitude to Mr. Smith; even though the initial admiration for his political adroitness may have worn a bit thin as he has increasingly come to be regarded as merely intransigent, there is still a residual affection for the idea that, somehow, our "kith and kin" must be supported in their fight for survival.

This is indeed a long list of objections to any new policy whose balance would be shifted more towards African opinion than the present British one. There seems little option but to fight while to Washington and London the search for a negotiated settlement must continue. Others could add further objections.

Yet they are outweighed by the overriding moral and political purpose behind the case now being put forward by the new administration in Washington—a case whose underlying rationale does seem to be in tune with what Dr. Kaunda says, even though we must await the production of specific American policies that would give their proponents credibility.

It is true that Mr. Young has now been asked by the President to curb his verbal enthusiasm, but this is seen by my friends in Washington as primarily an attempt to keep him effective in the role of crusader in Southern Africa for which he has been cast. In the State Department relevant officials who are out of tune with the Carter-Young-Mondale approach have been shifted to one side, to be replaced by those who have received the message.

But what is this moral purpose? It is, of course, to ensure that government whose basis is skin colour comes to an end. This is a worthy purpose for any democracy, and a double worthy one for a President whose term of office has begun with an announcement of support for human rights in every part of the globe.

### Letters to the Editor

The exchange rate

Sir,—Faced with the necessity of maintaining an exchange rate which provides exporters with a competitive edge and the problems associated with the build-up of North Sea oil and the foreign inflow of capital that event is causing, the authorities are no doubt seeking a solution to the dilemma. At present, and until some form of wage agreement is arranged, the policy is to hold the exchange rate steady.

With the prospect of mounting overseas trade surpluses and the destabilising impact on the exchange rate as a consequence of capital account movements, there are a few possible solutions: a two-tiered exchange rate; either a removal of the barrier to overseas portfolio investment or the erection of barriers against foreign portfolio investment; a two-tiered interest rate structure.

It seems to me that there is little chance of a two-tiered exchange rate, or the next, will sanction a removal of capital export barriers, still less erect them against foreign (but or otherwise) inflows. A two-tiered interest rate structure appears to be difficult to policy. We are left with the option of a two-tiered exchange rate, which would hold out the possibility of short-term advantages without long-term costs. Financial, as distinct from commercial, sterling would reflect the day-to-day movements caused by foreign demand for U.K. portfolio investment/disinvestment.

Given the near-impossibility of reconciling, under current arrangements a growing overseas trade surplus (founded on exploiting a wasting asset) with the necessity of ensuring economic viability in the long-term, the two-tier exchange rate is perhaps the least objectionable solution.

W. J. Houlihan,  
20, Richmond Court,  
Queens Road, Kingston, Surrey.



The guerrillas strike in Rhodesia.

There is really no need so far as this Society can see for a protracted Government inquiry into the engineering profession. But a State register of engineers would certainly improve status and this is something for which the Society has been campaigning for years.

L. T. Griffith,  
21-23, Mossop Street, S.W.3.

### Save on postage

From Mr. M. Simons.

Sir,—The untimely Post Office Jubilee bonus of yet higher postal charges presents industry, commerce and the professions with the opportunity to demonstrate that having less lead to less business and reduced employment opportunities.

Large and small organisations will seek to save postal charges by: (1) pruning routine circulation lists; (2) following the lead of Imperial Group, ICI, U.S. Debuture Corporation, London Life Association and others by printing annual reports on lightweight paper. Results: thinner reports benefit recipients and reduce the burden of post payments; (3) encouraging shareholders to have dividends and interest on savings paid direct to their bank and using second class mail for those not authorising this cost saving system.

Registrars including service companies run by the big banks that have insisted on shareholders asking for their co-operation to achieve higher productivity and lower costs.

M. E. Simons,  
24, Gronard Avenue, S.W.15.

### New product development

From Mr. J. Dove.

"New products" being "developed with an eye to genuine innovation for the use of minority audiences." Re-packaging about consumer or industrial products. You really cannot cover both except in the broadest sense. Anyway, it was snore clear from the reference to "minority audiences" that David Bernstein and Tom Steel (May 26) were writing about consumer products. Their interesting article raises a number of points. I do not believe that sensible consumer products companies considering range extension find themselves putting their "needs" as a "manufacturer" before those of the customer. They understand that range extension is generally far more likely to be successful than diversification and would not consider taking on a range extension new product without in some way testing consumer acceptance.

In my view, new product development can be on a separate floor or in a separate building as long as the team has periodic meetings to: (a) brief the team on the parameters within which they can develop new products; (b) update or modify these parameters so that the thinking and new ideas are leavened with information about what is happening in the market place; (c) selected new product areas, existing product areas and in respect of the company's financial health and production activities.

I understand the desire of the authors to draw the distinction between a really new product and a repackaged old one, but it is not credible to talk about 105, Onslow Square, S.W.7.

their baggage is that these could adopt as a means of convincing Pretoria that it is in the West. Washington is not currently contemplating the supply of arms, and a British Government probably could not do so and hope to survive—but must all the moral support and ideology come from one side?

Even if the complexities of winning African loyalties seem too much for us to grasp, the Kaunda theory about the way in which the whites are consoling themselves deserves inspection. The way he puts it, supporters of Mr. Smith and Mr. Vorster tell themselves that if Cubans come in to support the black guerillas, the West will rally round, and British, French and American support will be forthcoming.

### Uranium

It is this: a complete break with South Africa would damage the U.S. economy very severely, although there might be many second thoughts about uranium supplies. But a break would hit Britain extremely hard. Washington is just as aware of this as is London, and it is the first of many practical difficulties that the Carter Administration must face.

But to acknowledge as much is quite different from saying that nothing should be done, or that Britain should seek to do the same when he tried Dr. Vorster in Vienna recently, but the South African Government, I gather, is consoling itself with the view that Mr. Carter does not have the support of either Congress or the American people for his policies. This has of yet to be put to the test: the new State Department team, manpower to make it both effective and credible. That is preparing a set of hard won policies, always in discussion with both Congress and the British Government, that it on this side of the Atlantic.

### To-day's Events

Prime Minister, speaks at Commonwealth Heads of Government luncheon, Commonwealth Institute, W.S.

Mr. Denis Healey, Chancellor of the Exchequer, guest speaker, London Chamber of Commerce lunch, Guildhall, EC2.

Mr. Edmund Dell, Trade Secretary, Mr. Eric Varley, Industrial Secretary, and Mr. Albert Booth, Employment Secretary, expected to attend TUC economic committee meeting.

Public inquiry opens at Whitehaven into application by British Nuclear Fuels for re-processing plant to be included in its expansion at Windscale.

EC Energy Ministers and Environment Ministers meet, Luxembourg.

Mr. Peter Shore, Secretary for Environment, addresses National and Local Government Officers (NALGO) conference, Scarborough.

Confederation of Health Service Employees conference opens, Blackpool.

Mr. David Steel, Liberal Party leader, guest speaker, American Chamber of Commerce luncheon, Savoy Hotel, WC2.

House of Lords hears appeals over postal workers' South African boycott.

Fishing fleet "Armada" demonstrate on River Thames over fishing limits, Pool of London.

requirement (May). Retail sales (May—prov.).

COMPANY RESULTS

Chloride Group (full year), Dobson Park Industries (half-year), Johnson Matthey and Co. (full year), Skelchey (full year).

COMPANY MEETINGS

Averys, Smetwick, Warley, 15.15. Bunzl Pulp and Paper, Aberdeen House, EC. 1.30. Burrell Great Eastern Hotel, EC. 11. Empire Stores (Bradford), Bradford, 12. Manders, Wolverhampton, 12. Office and Electronic Machines, Wincoburn House, EC. 12. Tarmac, Hyde Park Hotel, SW. 12. United Newspapers, 27, Tudor Street, EC. 12.

SPORT

Boxing: Dave Green v. Carlos Palomino, World Welterweight title fight, Wembley. Tennis: transactions, including borrowing Wimbledon Draw.

### Local income tax

From Mr. B. Congdon.

Sir.—Accustomed as I am to being lavishly praised for the brilliance of my suggestions I am a little disconcerted when Mr. Colin Day (June 10) rapturously applauds the excellence of suggestions I have never made. I have never said anything about a yearling for local income tax as a remedy for the rating system—nor indeed for any of the other taxes whimsically dreamed up by Colin Jones in his "ardite feature" (sic).

I suggested not for the first time, I fear, but I am a persevering soul that rates should be collected with income tax—that thing we all pay as we earn and/or at the tax year end in April—and that central government should send out the pre-arranged percentage at suitable times to local authorities. Complicated, I know—compared with the delightfully fair and simple procedures employed by local rate collectors which must set us back immeasurably in administration costs and manpower.

I must apologise for distressing Mr. Day by my use of the word "squandered," but unfortunately the language has not yet progressed to a suitably stronger word to describe how public money is being idiotically flung down the drain. I certainly never suggested the need for local "revenue." I merely conceded that certain interested parties would doubtless miss their easy access to it.

I cannot see how local elections "demonstrate" that people are happy with the rating system. Sorely the citizens who bother in vote are simply making the best of a bad job. If a mugger were to offer us the choice of being cashed, stabbed, or kicked in the teeth, we would reluctantly opt for one treatment or the other, but that would hardly prove that we were in favour of highway robbery.

Bernard Campion,  
34 Treenoan Gardens,  
Hendon, Plymouth,  
Devon.

### Parmigiano up for auction

From Mr. D. Mahon.

Sir.—Mr. Joe Rogaly's article entitled "The Selling of the heritage" (June 10, 1977) makes a number of pertinent points. But one or two clarifications still seem to be called for.

He is right in saying that we should not be shocked by the aggressive business behaviour of auctioneers; one should simply recognise it for what it is, namely to make as much money as possible for themselves, for their clients, and (of course) for the Inland Revenue which usually turns out to be the principal, if not the beneficiary.

Mr. Rogaly opines that the Government "has been gathering its thoughts since the Mentone sale." But there is not the slightest convincing evidence that this is so. The expert controls, which in effect only deal with very few objects which are ultra-outstandingly exceptional, are worked successfully within their restricted limits for very many years.

What has manifestly broken down (and in so doing the "casualty" thinks genuinely about it (the better) are administrative arrangements for putting into operation the bad 12 years in achieve and has a statute for failed lamentably.

The Government has already appealed for more students to become engineers, including the Treasury declining, quite rightly, with young men the choice of every previous President to accept in lieu of preference and aptitude. With Mr. Druault's magnificent portrait of Madame de Pompadour and Madam de Montmore, which has long been on the list of pictures dressmakers, for instance, at-

### State register of engineers

From the Secretary, The Society of Engineers.

Sir.—The Government proposes an inquiry into the engineering profession hoping to unify it and to encourage more students to become engineers. This is something the Council of Engineering Institutions has been trying to achieve and has a long history of failed attempts.

The Government has already appealed for more students to become engineers, including the Treasury declining, quite rightly, with young men the choice of every previous President to accept in lieu of preference and aptitude. With Mr. Druault's magnificent portrait of Madame de Pompadour and Madam de Montmore, which has long been on the list of pictures dressmakers, for instance, at-

# Sanpaolo 76

the Balance sheet as at 31 december 1976

In billion lire

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COMPANY NEWS + COMMENT

Allied Retailers on target with £3.7m.

AFTER A TRANSFER to un-realised gross profit reserves of £0.81m. against £0.61m. pre-tax profit of Allied Retailers for the year ended April 2, 1977, was £2.7m. compared with £3.3m. for the previous 53 weeks. At half-way, reporting a slight fall from £1.46m. to £1.2m., the directors predicted profits in excess of £3m. before the transfer.

INDEX TO COMPANY HIGHLIGHTS

Table with columns: Company, Page, Col., Company, Page, Col. Lists companies like Allied Retailers, Allied Industries, Ascol British Foods, etc.

Leyland Paint up first half

ON TURNOVER some 12 per cent higher, pre-tax profit of Leyland Paint and Wallpaper, excluding associates, rose from £261,000 to about £300,000 for the six months to April 2, 1977, according to unaudited accounts.

WGI tops £0.5m. in second half

FOLLOWING THE sharp setback in the first six months, profits of WGI, the civil mechanical and process engineering concern, recovered to £501,225 in the second half of 1976-77. This brought the total for the year ended March 31 up to £762,802 compared with the record £1.19m. achieved in the previous year.

Bank of Ireland optimistic

The directors of Bank of Ireland look to the future with more optimism than a year ago, says Mr. William Finlay, the governor, in his annual statement. The changed economic strategies initiated in the January Budget have significantly improved the environment for industrial expansion, he says.

ISSUE NEWS

Birmingham's £30m. of 12 1/2% stock

The City of Birmingham is issuing £30m. of 12 1/2% stock. Birmingham District Council Redeemable Stock 1983 at 97 1/2 per cent. The application list opens and closes on Tuesday June 16. The stock is payable as to £10 per cent on application, £40 per cent on July 20, and £47 1/2 per cent on September 2.

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date of payment, Corrs. Div., Total for year. Lists companies like Allied Retailers, Ariel Industries, A.R. Foods, etc.

Clore tries harder for Avis

Sears Holdings, the Industrial empire of Sir Charles Clore, is intent on acquiring 25 per cent of Avis, the car hire company. In May an American conglomerate, Sears, offered to buy 25 per cent of Avis for \$70m. The attempt is consistent with the disillusionment with which this venerable entrepreneur has resigned recent years.

Ward White Pref.

The directors of Ward White Group are proposing to raise £1.3m. by a rights issue of 1,300,000 10 1/2 per cent Convertible Redeemable Preference shares, 188,800 at par, £1. The basis of the issue will be one Convertible Preference share for every six Ordinary 25p shares, or one convertible share for every £3.40 nominal of 8 per cent Convertible Redeemable Loan stock.

Empire Stores

Empire Stores' £5.67m. rights issue on the basis of one-for-four at 105p per share has been taken up to £3.4 per cent. The balance of £2,270,000 shares has been sold at a premium over the issue price of £11 1/2p (less expenses) and the net proceeds will be distributed to entitled shareholders.

comment

Demand for carpets and furniture remained at very depressed level in 1976. The corresponding per cent. profits rise at Allied Retailers is remarkable enough. But even more impressive is the ability to earn a pre-tax return on shareholders' funds of just under 50 per cent. at the bottom of the cycle—the potential when demand recovers is substantial indeed.

comment

For the previous full year the figure was £1.59m., a record. The directors report that investment in new plant and equipment continues to contribute to increased efficiency and first half profits also benefited from the mix in sales where the contribution by retail and export divisions was encouraging. However, the low level of activity in the building industry.

comment

It is, however, important that future budgets reinforce business confidence by continuing or increasing the existing incentives so that sustained expansion may be achieved, he adds. As reported on May 6, taxable profit for the year March 31, 1977, advanced 29 per cent to £24.46m. (£25.08m.) to £20.31m. (£40.92m.). Restated on an inflation accounting basis this is reduced to £23.94m. (£15.87m.). The net dividend is 15p per £1 share and a one-for-three scrip issue is proposed. For the current year the distribution is unlikely to be less than 12.5p, the directors say, and an offer of stock to staff is proposed.

comment

WGI's full year profits are 36 per cent lower before tax but there are some encouraging signs. The second half saw a slowdown in the rate of decline to just over 50 per cent. The turnover at half-time, while a £1m. turnaround to losses by the normally dominant civil engineering side has hidden strong performances by the mechanical and electrical divisions. The former boosted by a first full contribution from Cox and Wright lifted its contribution by 215 per cent, while the latter achieved profits increase of 53 per cent. The latter's sharp rise reflects export sales. These two are continuing to move ahead, if more steadily, in the current year but a full recovery of the resources dependent on a revival in the U.K. construction sector. West's Filings' order books are looking a little stronger but the rate of replacement is very slow. Thus the mechanical and electrical divisions are 9.3 per cent. covered 1.7 times, have limited short-term potential.

Wedgwood

WEDGWOOD announces that the profit available for distribution in the group profit sharing scheme for the year ended April 2, 1977 amounts to £27,000 compared with £30,000 for the previous year. This represents five per cent of the company's distributable profit and is to be shared among some 6,600 employees in the U.K. This yields a bonus of 99 pence per bonus unit held which, results in a 10 per cent increase compared with the previous year in the average bonus payable to eligible employees. The payments will range between one and four week's pay according to seniority.

comment

Leyland's 78 per cent. pre-tax rise on the six months profits has been achieved despite virtually static sales volume and confirms that the group is still seeing substantial cost savings from the new vinyl coating plant and the recent integration of the paint making works into one factory. Just how much impetus is left in these moves remains to be seen though. With two-thirds of sales going to the building trade volume seems likely to remain dull for sometime.

comment

The governor notes that, for the first time in three years, profit was adequate to improve the net worth of the bank after dividend payment. This was largely attributable to the performance of the bank's investment portfolio. During the year the bank in

Caffyns maintains £900,000

WITH A marginal improvement in the second half from £113,291 to £469,728 automobile agents and engineers Caffyns shows a taxable profit of £900,857, against £900,490 for the year to March 31, 1977. Sales were up £5,07m. to £29.6m. The directors point out, however, that before a non-recurring item of about £100,000 in 1976/77 profit was some £800,000, making the increase on the year 12.6 per cent. A net final dividend of 4.65p per 50p share lifts the total to a maximum permitted 5.75p (£2.3p).

Highams increases to £0.9m.

TEXTILE manufacturers Highams has turned in pre-tax profits of £922,077 for the year to April 2, 1977, compared with £704,291, an advance of £217,786, or 31 per cent, in 1976, of half-time. The final dividend of 2.05p net per 25p share lifts the total from 7.23p against 5.94p. Turnover was up from £18.05m. to £20.54m. and interest charges fell from £305,063 to £274,957. Tax took £363,322 against £346,704.

James Warren 15-month loss £0.28m.

After losses of subsidiaries sold, or no longer trading, of £0.37m. James Warren and Company reports a pre-tax loss of £0.28m. on sales of £11.54m. for the 15 months to December 31, 1976. For the previous year, on sales of £11.15m. the loss was £21,000 after subsidiary losses of £0.27m. At half-way, when the loss was

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Harrisons & Crosfield

Summary of Results for the year ended 31st December 1976

Table with columns: 1976, 1975. Rows include Group Profit, GROUP PROFIT BEFORE INTEREST AND TAXATION, GROUP PROFIT BEFORE TAXATION, GROUP PROFIT AFTER TAXATION, Extraordinary Items, ATTRIBUTABLE TO ORDINARY SHAREHOLDERS, RETAINED IN THE BUSINESS, Group Turnover.

NOTES: 1. Group profit before taxation for 1976 has benefited by £1,330,000 because of the movements in exchange rates between 31st December 1975 and 31st December 1976. 2. Extraordinary items include the following: Exchange gain on tax current assets; Scrip on sale of property and disposal of business.

Principal Activities and Division of Profit

Table with columns: 1976, 1975. Rows include General Merchandising and Services, Shipping and Insurance, Manufacture and processing of Chemicals, Industrial Raw Materials, Rubber, Textiles and Engineering Products, Production of Logs and distribution of Timber, Glass and other building materials, Financial Transactions, Operating Surplus, Investment Income, Associated Companies.

Ordinary Dividend

Final dividend 10.45p per share making, with the interim of 5.5p per share, 15.95 per share for 1976 (24.54p per share including tax credit at 35/65ths, maximum permitted). In event of reduction in tax rate, further payment is proposed to maintain maximum permitted.

Scrip Issue Two for five scrip issue for Ordinary Shareholders. The Report and Accounts, and the Chairman's Statement, will be issued on or about the 22nd June.

Wimpey chief not encouraged

AS EVER it is extremely difficult to predict the future, and immediate prospects in the U.K. are not encouraging with very strong competition for the reduced workload available, said Mr. R. B. Smith, chairman of George Wimpey and Co., at yesterday's AGM. Wimpey is mainly due to survive in other areas such as authority housing and major civil engineering projects, he went on. However, the group has been able to compensate to some extent in other areas such as commercial building and open cast coal. Overseas, the Board remains optimistic for future growth and general resources are being allocated to this sector of activities. The Middle East and Canada continues to contribute the bulk of overseas turnover, but the U.K. is still pursuing opportunities elsewhere. "Looking at the overall position," he said, "while our work in the U.K. is less than we would like, we have a record book for work overseas. We have a strong base and our organisation is in good shape. So, although we face many difficulties, I am hopeful that the outcome will be satisfactory." Mr. Smith concluded by saying that the directors are very conscious of the effects that the restraint on dividend payments has meant to holders. He is hopeful that the restraint imposed by Government will be relaxed next year so that they can increase the dividend.

ANGLO-CONTINENTAL

The directors of Anglo-Continental Investment and Finance state that all the conditions attaching to the proposals for the creation of floating charges in favour of the company's unsecured loan stocks have been satisfied in full. Accordingly the company and Phoenix Assurance, the trustees of the company's loan stocks, have executed trust deeds to implement the proposals and to create floating charges over the undertaking, property and assets of the company and certain of its wholly-owned U.K. subsidiaries. As a result, the stocks have been re-designated as 9 1/2 per cent debenture stock 1983 and Six Month Rate debenture stock 1974/83.

The Nineteen Twenty-Eight Investment Trust Limited

Directors: The Rt. Hon. Viscount Beardsley, T.D., D.L. (Chairman), D.S. Allison, J.S.K. Oram, B. R. Basset, A. F. Roger, H. Ockford, F.C.I.S., B. A.C. Whitmee, F.C.A.

Table with columns: Year ended 31.3.77, Ten years ended 31.3.77. Rows include Net asset value, F.T. Actuaries All-Share Index, Middle market price, Rate of dividends (net), Dividends on F.T. Actuaries All-Share Index, Retail Price Index.

Distribution of investments at 31st March 1977

Table with columns: Equities and convertibles, U.K., Overseas, Fixed income. Values: 462%, 482%, 41%.

Extracts from the Chairman's statement

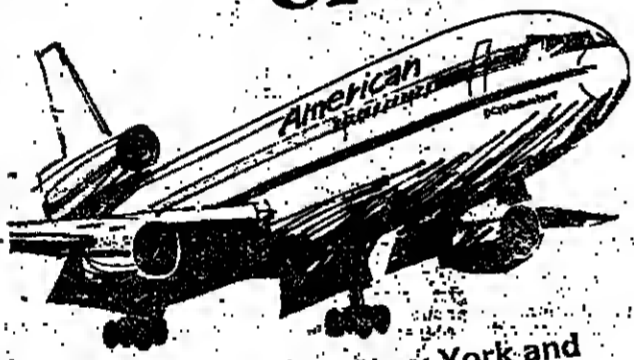
Foreign Currency Loans. During the year we increased our foreign currency loans by U.S. \$1 million to U.S. \$3.5 million. Throughout the year there was a surplus over the dollar borrowings of the valuation of the investments acquired therefrom and at 30th April 1977 this surplus amounted to £1,104,156. The year to 31st March 1977 also showed a surplus in dollar terms in the income received from investments held over the interest paid on the loans; this remains the case at the present time but could be adversely affected if Euro-dollar rates rise.

Revenue. We expect to be able at least to maintain the new rate of dividend for the current year. Copies of the Report and Accounts can be obtained from Philip Hill (Management) Limited, 3 Waterloo Place, London SW1 4AY.

Handwritten scribble at the bottom of the page.

*Handwritten signature or mark*

## The insurance world of C.E. Heath.



**American Airlines**  
The London Market placement for American Airlines Inc. is arranged by C. E. Heath for Alexander and Alexander N.Y.

**Port Authority of New York and New Jersey**  
C. E. Heath has placed in London and world-wide markets the liability and property insurance cover of the Port Authority of New York and New Jersey including the World Trade Centre complex.



**Cartier**  
Cartiers are one of the leading International Jewellers with branch in the major cities of the world. A part of their insurance requirements and those of other major jewellery concerns are handled by C E Heath in the London and Overseas markets.

**The Thistle A Project**  
The World's largest off-shore platform - the Thistle A project. We were chosen by the contractors, Laing Offshore, to insure the site; the dock gates; certain equipment used in the construction of the platform including the specially adapted cranes and their transportation and erection; plus the overall liability for Laing Offshore in their capacity as contractors.



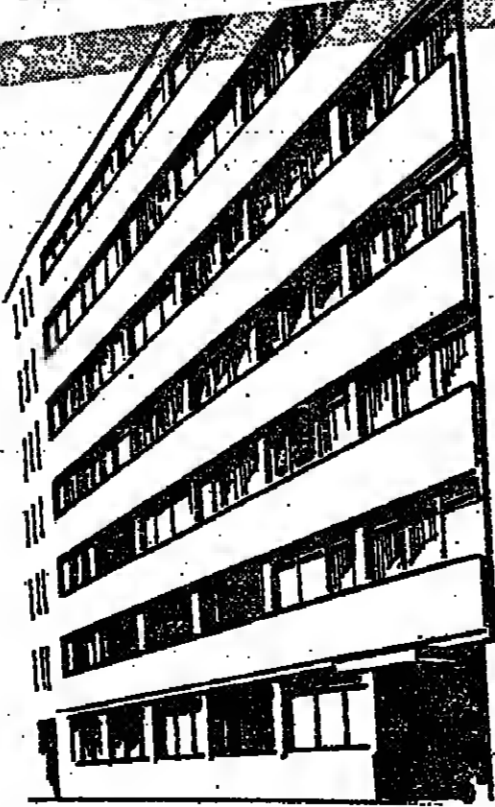
### Cuthbert Heath House

The Group's new headquarters building was officially opened by the Chairman of Lloyd's, Sir Havelock Hudson, on 17th September 1976.

Sir Havelock Hudson remarked that in his book on Lloyd's, Eric Gibb wrote "There are today few Lloyd's Underwriters and no Lloyd's Brokers whose business has not been revolutionised by what Cuthbert Heath did; and to his imagination and foresight even the insurance companies owe much of their present prosperity."

Sir Havelock Hudson went on to comment "I have, during my period of office, tried to get across to the public, to politicians and to government officials, the enormous and highly successful efforts of Lloyd's Brokers in travelling the length and breadth of the globe to bring back business to the London Insurance Market."

Lloyd's Brokers contribution to the U.K. economy can not be over-emphasised and no small part of that contribution comes from C. E. Heath & Co., a great Lloyd's firm"



# Another outstanding year Group profits up 80%

Highlights from the year to 31st March 1977 shown in the Report and Accounts and the Statement by Frank Holland, Chairman of C. E. Heath & Co. Limited

### The Year's Results

The excellent progress made in recent years has been maintained. The operating profit at £11,454,000 shows an increase of almost 80% over the previous year and the profit available for appropriation at £5,76m is up by 90%. In this context it is interesting to note that the group was recently included in the Financial Times List of major quoted companies (market capitalisation above £10m) as the second best performing company in terms of growth in market capitalisation for 1976.

A final dividend of 14.0p gross - the maximum permissible - is recommended and in addition the Board recommend a capitalisation issue of two new shares for every one held. This issue will help to correct the balance between our general reserve and the capital of the company and should also improve the marketability of our shares.

### Insurance broking

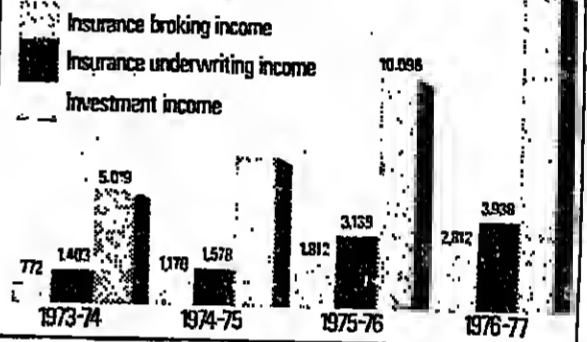
The continued progress of our insurance broking operations is most heartening. Every operating division has made a significant advance in spite of market difficulties. Notwithstanding the obvious problems associated with devaluation of sterling, especially as it affects Lloyd's capacity, our experience in placing covers throughout the international insurance and re-insurance markets in the last year has, if anything, added to the total capacity available.

The Group now handles insurance premiums amounting to £310 million through its broking operations.

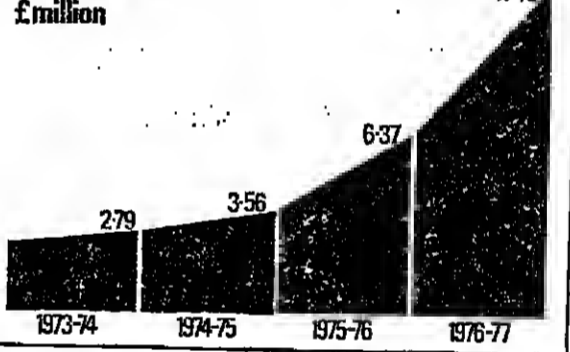
### Underwriting

The Lloyd's Underwriting operations for the 1974 Account resulted in a substantial loss for our Non-Marine Syndicate and there is no profit commission contribution from this source. Our Agencies company is continuing to develop with the introduction of the Pine Top Insurance Company, and the increased volume being written by the Bellefonte Insurance Company has enhanced the fee income of the company. In Australia, the revision of our operating basis has taken place and the continued growth of these operations reflects the very great contribution of our staff there.

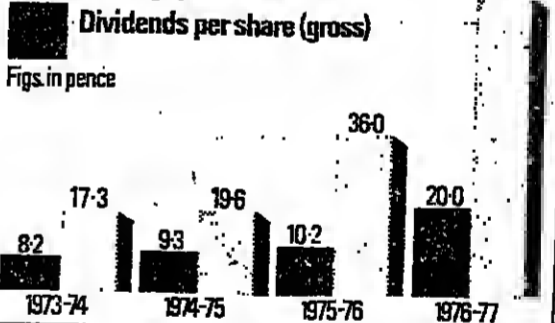
Analysis of income £ 000's



Operating profits £ million



Earnings per share



## Future prospects

It is unrealistic to expect the rate of growth achieved in the last few years to continue, especially if the pound achieves greater stability against other currencies. However, in the past year we have obtained a significant amount of new business and I see no reason why we should not continue to build on our firm foundations.

Satisfying the insurance requirements of our major corporate clients in the past year has been a challenge to our marketing skills. Our success gives me confidence that we shall continue to be recognised as having special strength in this area of vital importance to industry.

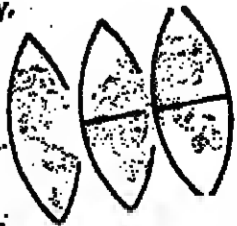
Although the 1975 Lloyd's Underwriting Account will almost certainly produce a small loss, a return to profitability should follow shortly. I am also hopeful that our Agencies company will produce a healthy contribution to our results.

Overseas we are looking for continued growth particularly from both our Australian operations - Broking and Underwriting.

*Frank Holland*

Copies of the full Report and Accounts are available from the Secretary.

**C. E. Heath & Co. Ltd.**  
Cuthbert Heath House, 151-154 Minories, London EC3N 1NR.  
Tel: 01-488 2488. Telex: 885280 888088.  
INTERNATIONAL INSURANCE BROKERS  
REINSURANCE BROKERS AND UNDERWRITING AGENTS



# £23m. and 40% scrip by Harrison and Crosfield Overseas growth A.B. Foods jumps £14.7m for C. E. Heath to peak £80.4m.

**BOARD MEETINGS**

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held on the dates of accounting. Where the date of the meeting is not available, the date of the next shareholders' meeting is given. Share prices are based on the last day's trading.

**TODAY**

Interim - Overton Park Industries, Henlys, Reckitt, Rowland, Reliance Properties, S. G. S., S. G. S. (Overseas), S. G. S. (Africa), S. G. S. (Asia), S. G. S. (Europe), S. G. S. (Middle East), S. G. S. (South America), S. G. S. (Africa), S. G. S. (Asia), S. G. S. (Europe), S. G. S. (Middle East), S. G. S. (South America).

**FUTURE DATES**

Interim - (20/21) Rubber, Est. June 23, 24, 25, 26, 27, 28, 29, 30, 31, July 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, August 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, September 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, October 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, November 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, December 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31.

However, the U.K. chemical interests were surprisingly buoyant and H and C managed to increase its profits from this source by 44 per cent. The current year has started reasonably well but commodity prices have been softening recently and H and C is unlikely to benefit so substantially from the depreciation of sterling this year. As H and C earns close to half its profits in the U.K. there are unlikely to be any dramatic moves on the dividend front for the shares which yield 4.6 per cent.

Statement Page 28  
See Lex

MR. F. R. HOLLAND, chairman of C. E. Heath & Co., said that it is unrealistic to expect the rate of growth achieved in the last few years to be maintained, especially if the pound attains a greater stability against other currencies.

However, in 1976-77 the group obtained a significant amount of new business and he sees no reason why it should not continue to build on its firm foundations.

As regards the underwriting operations, the chairman feels it is almost certain that the 1975 Lloyd's underwriting account will show a loss, although much smaller than 1974. The signs are already apparent that a return to profitability will follow shortly. He is hopeful that the agencies, too, will produce a healthy contribution to the group result.

The difference in exchange rates increased overseas profits by £11.1m. Net margins overseas were maintained at 6.7 per cent while those in the U.K. were up from 4.2 per cent to 4.7 per cent.

Expenditure on capital projects totalled £12m. during the year, compared with £11m. in 1976. The group's total assets rose to £121.7m. at the end of the year, up from £108.5m. at the end of 1976. The directors also recommended a further two-for-five scrip.

They report the directors to date are well in line with those a year ago. Subject to the usual reservations it is hoped to put satisfactory results before members at a year hence.

At the trading level, profit for 1976 was up from £14.5m. to £24.3m. — a geographical division shows the U.K. contributed 48 per cent (1976) and 51 per cent (1976). North America eight per cent (1976), others eight per cent (1976). Investment in associates three per cent (1976) and 3.5 per cent (1976).

Fixed assets at year-end are shown at £25.2m. (£20.5m.) and net current assets £37.4m. (£37.6m.).

The company operates as merchants, plantation owners, shipping and insurance agents, chemical manufacturers and timber distributors.

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The company operates as merchants, plantation owners, shipping and insurance agents, chemical manufacturers and timber distributors.

**Delson hit by excess capacity**

Bolt and out manufacturers and distributors Delson and Co. reports pre-tax profit of just £4,987 for the year to end January, 1977, compared with £53,143, and Mr. R. Lowe, the chairman, says that the group is unlikely to achieve a result much in excess of this figure for the full year. Profit for the last full year was a depressed £130,549.

Mr. Lowe says that this satisfactory position is due mainly to the fact that the group had considerably more available capacity than current demand allows to exploit. Efforts are being directed towards the marketing of this capacity, he adds.

The group has recently undertaken considerable investment, Mr. Lowe says, and he feels it can take full advantage of this and return to a more profitable position in the near future.

In a move to streamline the group, all but four of the directors have resigned from the Board, but they will continue as advisers to the company.

Turnover for the half year was up 20.2m. to £28.8m. and there was no tax charge, compared with £27,000 last time.

**Scoteros leaps by 61.7%**

PRE-TAX profit surged by 61.7 per cent to a record £1.18m. at packaging, drink and food group, Scoteros, for the year to March 31, 1977. Sales rose 37.4 per cent to £29.1m. excluding turnover of Thomas Bishop, sold on July 3, 1976.

For both the company's present U.K. operation and its European base in Brussels, established in December 1976, the outlook is encouraging, the directors say.

Stated earnings per 25p share were 0.2p (8.5p) and a second interim dividend of 1.25p (1.25p) total of 2.00p (2.50p) will be paid on July 1, 1977. The company's present U.K. operation and its European base in Brussels, established in December 1976, the outlook is encouraging, the directors say.

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**Ariel turns in £0.76m**

TAXABLE profit of Ariel Quilts was £702,436 for the year ended March 31, 1977 (£532,500 at half-time).

For the 15-month period March 31, 1976, profit was £712,031.

As forecast, dividend for 1976-77 is 1.25p net with a 0.75p bonus, previous 1975-76 total was 2.25p.

The company makes ladies' fasteners, light weight products, etc.

**comment**

The Harrison and Crosfield share price has had a strong upward trend in the last few months, rising from 145p to 180p. This is not surprising since the market had been discounting a near doubling in profits, and the increase in 1976 and the profits of H and C's important subsidiary, Sabah Timber, had already been published. In fact, close to 80 per cent of the profit improvement came from this subsidiary in 1976 and the general merchandising and servicing side accounted for nearly another quarter of the increase. Rubber prices were some two-thirds higher in 1976 and tea prices were over a third higher, and this clearly helped the trading opera-

**World Value of the Pound**

The table below gives the latest available rates of exchange for the pound against various currencies on June 13, 1977. Market rates are shown at nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territory; (K) Scheduled Territory; (O) official rate; (F) free rate; (T) tourist rate; (N.C.) non-commercial rate; (N.A.) not available; (A) approximate rate; (N.D.) no direct quotation available; (S) selling rate; (B) buying rate; (NOM.) nominal; (EX/C) exchange certificate rate; (P) based on U.S. dollar parities and going sterling dollar rate; (BK) bankers rate; (BAS) basic rate; (CM) commercial rate; (CN) convertible rate; (FN) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

**Rowlinson—peak £1.3m.—pays more**

PRE-TAX PROFIT of building and civil engineering contractors of Rowlinson Construction Group, improved to £1.3m. for the year to March 31, 1977.

In their interim report in November last year, the directors

**Country & New Town deficit but dividend held**

AFTER PROVIDING for a loss of £38,097 attributable to assets previously held for development, Country and New Town Properties reports a pre-tax deficit of £39,025 for the year ended January 31, 1977, compared with a profit of £516,954. The dividend is held at 0.65p net.

Providing for tax of £70,024—mainly attributable to overseas subsidiaries—against £131,174, the net deficit is £68,150 compared with a profit of £516,954. The loss per 10p share is shown at 1.62p (11.16p earnings) and 0.78p (11.11p) allowing for full conversion of the loan stock.

Mr. G. M. Newton, chairman, says that the group has emerged in a satisfactory condition from the most difficult year in its history. It has been a period of severe retrenchment at home during which the group has eliminated most of its immediate problems and reduced the home short-term indebtedness.

In contrast the group improved its position in the U.S. and Canada while in Europe there has been a measure of consolidation with a very worthwhile expansion of activity in France.

At home the sale of the Blundell site in Luton to Debenhams ensured a substantial reduction to the group's short-term borrowings. The permission for a partial change to office use at the Civil Service store has enabled a complete regrouping to be made of the group's property holdings in the Strand. The potential for development still exists, but it has been decided to hold the portfolio for investment rather than development.

As a result the group has written off the last year amounting to £38,097, and a partial dividend of £38,097 which mainly related to the Strand property. At present the overall income from these properties virtually covers the interest charges.

The chairman reports that the furniture shops have shown improved results and it is expected that the retail group as a whole will show a period of change and settle down to make a worthwhile contribution to group profits.

In addition, the rental income from improved space made available by a reorganisation will increase the value of this property investment. The book value of the U.K. properties represents 43 per cent (£11.8m) of the total portfolio.

Overseas group borrowings increased on consolidation primarily because of the fall in sterling and a new venture in Paris. The French company produced good results and it took up a 20 per cent interest in a syndicate owned major property in Paris. The costs and related borrowings are included in the accounts. The group is only partly leased and the value has again had to be shown in 1976-77 as 1.25p net with a 0.75p bonus, previous 1975-76 total was 2.25p.

## Level trading at Bremner

General warehousemen Bremner and Company has maintained its level of trading from the beginning of the current year. It is too early to say if this will continue in the following months, Mr. J. T. Bremner says in his annual statement.

As reported on May 3, pre-tax profit for the year to January 31, 1977, was £0.5m. (£0.6m.) on sales, excluding VAT of £3.5m. (£3.35m.). The net dividend is lifted to 3.5p (3.6p) per 25p share.

Short term deposits, bank balances and cash were up 53,763 (up £0.3m.) to £1.4m. (£1.85m.).

Scottish Amicable Life Assurance Society holds a 3.54 per cent equity interest and Throncote Street Nominees enhanced the free income to the 10.9 per cent.

Meeting, Glasgow, on July 7 at 10.30 a.m.

The Lloyd's underwriting operations in respect of 1976-77 related to the 1974 account which resulted in a substantial loss as far as the non-marine syndicate was concerned. The loss was expected already by the syndicate and a return to profitability. The agencies company is continuing to develop with the introduction of the Pine Top Insurance Company and the increased income from the sale of the Pine Top Insurance Company.

A statement of source and level of trading from the beginning of the current year. It is too early to say if this will continue in the following months, Mr. J. T. Bremner says in his annual statement.

**Shell Chemicals improving**

SHELL CHEMICALS U.K. pushed up its profits by 62 per cent in the first three months of 1977 compared with the last quarter of 1976. The rise to £3.3m. compared with £2m. in the last quarter last year, has continued the improvement in profitability that has progressed quarter by quarter since the end of 1975.

During the first quarter the volume of sales rose by some 12 per cent, with exports rising by about 18 per cent after a slow start. Home sales were just over 8 per cent up on the last quarter of 1976.

Mr. Derek Crofton, finance director, says the results were better than expected. However, much of the increase in profit was accounted for by stock value adjustments which boosted them into line with current reinvestment costs.

Last year Shell Chemicals U.K. boosted earnings by 45 per cent and the volume of sales by 19 per cent in the first quarter of 1976.

In 1976 the company made a profit of some £10.8m. compared with a £2.6m. loss in 1975.

**Recovery at British Cinematograph**

Compared with a depressed 56.776 in the first six months of British Cinematograph's recovery in the year ended January 31, 1977—sentencing a reduction of £15.4m. in 1976-77.

When reporting at half year, Mr. J. W. Davies, chairman, explained that sales at first quarter were disappointing and although a marked improvement took place when VAT was reduced it was insufficient to restore profits to the previous year's level. Also the very summer affected the taking of the new film Cinema which had been making good progress.

Members were told, however, that figures for the third quarter showed a dividend of 5p net and the photograph shops continued to benefit from the surge in consumer spending. He anticipated that the year results would be much more satisfactory and would provide ample cover for the dividend.

Earnings per 25p share shown in 1976-77 as 1.25p net with a 0.75p bonus, previous 1975-76 total was 2.25p net.

## MONEY MARKET Large assistance

Bank of England Minimums Leading Rate 8 per cent. (since May 12, 1977).

Day-to-day credit was in short supply in the London money market yesterday and the authorities gave large amounts of assistance by buying a large number of Treasury bills and local authority bills, and by lending a small amount overnight to one or two discount houses at the Bank of England Minimum Lending Rate of 8 per cent.

A fall in the note circulation was in the market's favour and Government disbursements exceeded revenue payments to the Exchequer. This was outweighed however by a further instalment on 12½ Exchequer 1982 and 1983 discount houses were up 100 per cent of market purchases of gilt-edged stock.

Discount houses paid 7½ per cent for secured call loans in the early part of the day, but balances were taken at 6½ per cent.

In the interbank market overnight loans opened at 7½ per cent, and eased to 6½-6 per cent, before closing at around 7½ per cent.

Short-term fixed period interest rates were fairly steady with discount houses buying rates for three-month Treasury bills remaining around 7½ per cent, while longer term rates were generally firm.

Rates in the table below are annual in some cases.

**Recovery at British Cinematograph**

Compared with a depressed 56.776 in the first six months of British Cinematograph's recovery in the year ended January 31, 1977—sentencing a reduction of £15.4m. in 1976-77.

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Earnings per 25p share shown in 1976-77 as 1.25p net with a 0.75p bonus, previous 1975-76 total was 2.25p net.

Place and Local Unit	Value of £ Sterling	Place and Local Unit	Value of £ Sterling	Place and Local Unit	Value of £ Sterling
Algeria (Dinars)	228 (101.16A)	Germany (Deutschmarks)	4.95(1)	Argentina (Pesos)	214.54
Algeria (Dinars)	228 (101.16A)	Guatemala (Quetzales)	1.58	Australia (Dollars)	1.48
Algeria (Dinars)	228 (101.16A)	Hong Kong (Dollars)	1.00	Belgium (Francs)	1.36
Algeria (Dinars)	228 (101.16A)	India (Rupees)	1.00	Canada (Dollars)	1.00
Algeria (Dinars)	228 (101.16A)	Indonesia (Rupiahs)	1.00	Denmark (Krone)	1.00
Algeria (Dinars)	228 (101.16A)	Italy (Lira)	1.00	France (Francs)	1.00
Algeria (Dinars)	228 (101.16A)	Japan (Yen)	1.00	Germany (Deutschmarks)	4.95(1)
Algeria (Dinars)	228 (101.16A)	Kenya (Shillings)	1.00	Guatemala (Quetzales)	1.58
Algeria (Dinars)	228 (101.16A)	Malaysia (Ringgits)	1.00	Hong Kong (Dollars)	1.00
Algeria (Dinars)	228 (101.16A)	Nigeria (Naira)	1.00	India (Rupees)	1.00
Algeria (Dinars)	228 (101.16A)	Philippines (Pesos)	1.00	Indonesia (Rupiahs)	1.00
Algeria (Dinars)	228 (101.16A)	Singapore (Dollars)	1.00	Italy (Lira)	1.00
Algeria (Dinars)	228 (101.16A)	Taiwan (New Dollars)	1.00	Japan (Yen)	1.00
Algeria (Dinars)	228 (101.16A)	Thailand (Baht)	1.00	Kenya (Shillings)	1.00
Algeria (Dinars)	228 (101.16A)	Uganda (Shillings)	1.00	Malaysia (Ringgits)	1.00
Algeria (Dinars)	228 (101.16A)	Zambia (Kwacha)	1.00	Nigeria (Naira)	1.00
Algeria (Dinars)	228 (101.16A)			Philippines (Pesos)	1.00
Algeria (Dinars)	228 (101.16A)			Singapore (Dollars)	1.00
Algeria (Dinars)	228 (101.16A)			Taiwan (New Dollars)	1.00
Algeria (Dinars)	228 (101.16A)			Thailand (Baht)	1.00
Algeria (Dinars)	228 (101.16A)			Uganda (Shillings)	1.00
Algeria (Dinars)	228 (101.16A)			Zambia (Kwacha)	1.00

Results to 31 March 1977

Profit before tax £892,491

Dividend per share (maximum permitted) 4.62p

Undistributed profit £174,153

1976

Profit before tax £754,929

Dividend per share 4.2p

Undistributed profit £113,907

**Thomas Cook Bankers**

Thomas Cook Travellers Cheques

The accepted name for money. Worldwide.

Copies of the report and accounts may be obtained from the Secretary of the Company at Albany House, Paris, France, London SW1H 9EE.

**WELCO HOLDINGS LIMITED**

Progress Continues

Interim Result six months to 31st December 1976

Turnover £2.8m+33.3p.c.

Pre-tax profit £266,800+30p.c.

Earnings 1.61p+30p.c.

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J.P. WOLSKA



BANK FOR INTERNATIONAL SETTLEMENTS ANNUAL REPORT

Win problems of inflation and unemployment

BY MICHAEL BLANDEN

THE CENTRAL issues facing the governments of the leading countries are the level of unemployment and the rate of inflation. This was stated yesterday in the annual report of the Bank for International Settlements.

It said in its annual report that the problems of international adjustment were relatively more easily dealt with than the domestic difficulties faced by a number of countries. "Clearly, current levels of unemployment are unacceptable. Equally clearly, the only acceptable rate of inflation is a declining one," the report argued.

tributed to the success of domestic efforts at stabilisation. "The disconcerting coexistence of relatively slow growth, sluggish capital expenditure and high unemployment with persistent inflation constitutes the major challenge to policymakers in the Western industrial world."

At the same time the report stressed the need for international co-ordination of policy attitudes towards fighting inflation and unemployment. "Country-to-country approaches would differ widely but agreement on broad objectives should be sought in regard to responsibilities and objectives rather than in regard to policy mixes or instruments—provided that the latter are internationally consistent."

In his conclusions the report, signed by M. René Laro, the general manager of the BIS, concentrated on the dual problem of encouraging economic growth while bringing down inflation. The answer to the first question "should be sought mainly in strategies designed to lead to a broad revival of investment."

Table: MOVEMENTS IN INDUSTRIAL PRODUCTION. Columns: Countries, Change over twelve months to June 1975, June 1976, June 1977, Overall change at June 1977. Rows: United States, Germany, Japan, France, Italy, United Kingdom, Belgium, Canada, Netherlands, Sweden, Switzerland.

Table: CURRENT-ACCOUNT IMBALANCES SINCE THE OIL CRISIS. Columns: Countries and areas, 1971-73, 1974-76, 1977-78. Rows: Developed areas, OPEC, Other developing areas, Centrally planned economies.

What was needed was confidence that economic growth will be resumed without a resurgence of inflation. The conclusion was that "since higher employment levels require a sustained recovery, and since such a recovery should be based on growing capital spending, governments will be able to reduce unemployment only if they create an environment that fosters business confidence in balanced long-term growth."

to reflect pronounced and persistent underlying differences in domestic inflation rates but should not be allowed to contribute to accentuating inflation differentials.

Prominent The report came to two general conclusions. "The first is that no quick remedies are available to cure the ills of unemployment and inflation, and the second that inflation and unemployment are closely interdependent."

Medium- to long-term policy strategies would have to make use of all available policy tools. Monetary policy could play a prominent role "by setting and preferably announcing—quantitative targets for the growth of aggregates."

As for fiscal policy, "Governments should avoid the extremes of tight-money and demand management pessimism." Finally, "it seems that most countries will have to supplement traditional monetary and fiscal policies with measures to limit the growth of money incomes directly."

In this area countries would doubtless adopt various appropriate policies, ranging from mandatory incomes policies to broad objectives agreed through national consensus.

Emphasis on global medium- to long-term policies did not exclude "measures to alleviate the hardships caused by the concentration of unemployment in specific areas or among specific groups of people, especially the young."

The report was able to view the world's economic situation in a more optimistic light than in the past. "The world was still faced with vast imbalances in international payments, particularly a persistent oil surplus and structural deficits in the non-oil developed countries. This view was based on the belief that the adjustment process would be slow because exchange rate changes did not produce speedy adjustment."

But the bank doubted very much that the state of the world economy justified the "generalised implementation of drastic domestic adjustment policies." The surplus countries were entitled to consider domestic price stability as a major objective and although it would be a mistake for the deficit countries to embark simultaneously on strongly restrictive policies, the burden of initiating adjustment would have to rest mainly on them.

Burden Any pessimism over the imbalances, however, was more than offset by "the grounds that exist for optimism with regard to their finances." But policy action was needed in a number of directions. These included a better flow of information on debtor countries and the promotion of other forms of financing which would alleviate the burden on private banks.

The most obvious improvement would come from additional, long-term financing. There was also scope for enhancing the role of the international institutions.

The bank saw no reason why the present institutional framework should not be able to cope given appropriate policies. But in a longer-term perspective "the maintenance of international order—in trade, money and finance—will depend on the ability of leading countries to deal with the basically domestic problems of inadequate growth, excessive unemployment and high inflation."

It argued that responsibility rests squarely on the shoulders of domestic policy makers. "The need to improve our still very imperfect international monetary arrangements is no excuse for neglecting to tackle the problems of unemployment and inflation at their origins: in the domestic economies themselves."

World Bank and commercial banks on the subject of lending to the LDCs should be increased. Liquidity The abundant supplies of international liquidity last year meant that banks had plenty of lending capacity. However, most demand came from the countries with the weakest balance of payments. This meant that the differential between the margins charged by banks over LI inter-bank rates widened according to the perceived credit-worthiness of the borrower. For prime names, it fell from 1 1/2 to under 1 per cent, while borrowers in countries with a high level of foreign indebtedness not only found it more difficult to borrow but also were subject to tougher loan conditions.

The bank devotes a large proportion of its coverage of the Euromarkets to the problem posed by the growth of commercial bank lending to sovereign risk borrowers. In particular, whether the risks borne by the international banks have become excessive. It notes that the big shift in

COMPANY NOTICES

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Table: CONSUMER PRICES. Twelve-month rates of change to June 1976. Columns: Countries, 1972, 1973, 1974, 1975, 1976, 1977. Rows: Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, United Kingdom, United States.

Successful A reversal of individual external imbalances was possible, provided countries were ready to embark on appropriate and complementary adjustment policies. It was concluded that adequate funds had been forthcoming from both private and official sources to finance most of the deficits the OECD-area as well as among the non-oil developing countries.

The report took the view that external problems were not insurmountable. If domestic policies were successful in coping with unemployment and inflation "the management of the international economy will not pose insuperable problems."

On the domestic issues, however, the report was less sanguine. It identified the recent trends in the West to include a reduction in the rate of expansion coupled with a dangerous downward stickiness in the underlying inflation rate, and a sharp increase in the appreciation of the exchange rate had con-

tributed to the success of domestic efforts at stabilisation. "The disconcerting coexistence of relatively slow growth, sluggish capital expenditure and high unemployment with persistent inflation constitutes the major challenge to policymakers in the Western industrial world."

World Bank and commercial banks on the subject of lending to the LDCs should be increased. Liquidity The abundant supplies of international liquidity last year meant that banks had plenty of lending capacity. However, most demand came from the countries with the weakest balance of payments. This meant that the differential between the margins charged by banks over LI inter-bank rates widened according to the perceived credit-worthiness of the borrower.

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Outspoken on capital markets

BY MARY CAMPBELL, EUROMARKETS EDITOR

THE SECTION on the international capital markets in the annual report of the Bank for International Settlements — a major authority on the development of the Euromarkets — is more outspoken than usual in suggesting solutions to current problems as well as marking a further development in the amount of information provided. The main points are:

A chain reaction in the international banking system could result from a country suspending interest payments even temporarily or entering into a formal debt moratorium.

The growth of international reserve holdings in recent years has not been excessive, but what the BIS terms the quality of international reserve creation needs to be improved. This could be done partially by means of an increase in aid flows, or a reduction in aid flows, or a combination of the two.

It is desirable that commercial banks should continue to participate in balance of payments financing, but official institutions should take a larger share of the Euromarket.

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It is desirable that commercial banks should continue to participate in balance of payments financing, but official institutions should take a larger share of the Euromarket.

INTERNATIONAL FINANCIAL NEWS

SEC investigates Burmah payments

BY JOHN WYLES
BURMAH OIL'S payment in 1975 of a \$3m. fee to Tongun Park, the South Korean businessman who was recently alleged to have been a member of his country's CIA, is part of a broadly based investigation into the affairs of the British company now under way by the U.S. Securities and Exchange Commission.

SECURITIES CO

NEW YORK, June 13.
This is now threatened by the withdrawal of one of the U.S. utilities, Alouqua, which was to purchase 28 per cent of the Algerian gas.

IMF BORROWING

Quotas of \$100bn. urged

BY FRANCIS GHILES
DR. IRVING FRIEDMAN, a known director of the International Monetary Fund (IMF), has advocated an increase in the IMF borrowing quotas to \$100bn.

'Feeble' sales at Solvay

BRUSSELS, June 13.
SOLVAY, the biggest Belgian chemical company, expects only a "feeble" growth in sales for this year and next.

Setback for Stockholm market

BY WILLIAM DULLFORCE
STOCKHOLM, June 13.
THE STOCKHOLM Stock Exchange to-day experienced its heaviest decline of the year with the Affarsvärlden general index falling 22.5 points, or 3.4 per cent, to a new 1977 low of 705.1.

GERMAN COMPANIES

Karstadt sales remain sluggish

BY ADRIAN DICKS
KARSTADT, Europe's largest department store group, has followed its West German competitors in announcing a big drop in profits in 1976.

VAW expects demand lift

THE WEST German Government-owned smelter and fabricator Vereinigte Aluminiumwerke expects more favourable conditions in 1977, with a return to 95 per cent capacity use in Western Europe and an 8 per cent, world-wide rise in consumption.

AMERICAN NEWS

Seagram reports peak earnings

SEAGRAM COMPANY reports record operating income sales and net income for the nine months ended April 30 last.

Maremont deal with Turner & Newall

MAREMONT CORP. and group Turner Newall have agreed to form a new corporation to acquire Maremont's friction brake and heavy duty parts business.

KOREA ELECTRIC COMPANY
US \$381,440,000 and £72,486,390
For
KO-RINUCLEAR POWER PLANT UNIT No. 2
THE KOREA DEVELOPMENT BANK
Guaranteed
A Seven Year Term Loan of
US \$132,900,000
Managed by
FIRST CHICAGO ASIA MERCHANT BANK LIMITED LAZARD BROTHERS & CO. LIMITED
AMEX BANK LIMITED BANK OF AMERICA NT & SA LLOYDS BANK INTERNATIONAL LIMITED
BANQUE EUROPEENNE DE CREDIT (BEC) MIDLAND BANK LIMITED
Co-Managed by
THE BANK OF NOVA SCOTIA UNION DE BANQUES ARABES ET FRANCAISES-U.B.A.F.
Provided by
AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION BANK OF AMERICA NT & SA
FIRST CHICAGO HONGKONG LIMITED LLOYDS BANK INTERNATIONAL LIMITED
BNS INTERNATIONAL (HONG KONG) LIMITED
BANQUE EUROPEENNE DE CREDIT (BEC) MIDLAND BANK LIMITED
UNION DE BANQUES ARABES ET FRANCAISES-U.B.A.F.
THE NATIONAL BANK OF NEW ZEALAND
THE CHICAGO-TOKYO BANK EUROPEAN ASIAN FINANCE (HONG KONG) LIMITED
FIRST NATIONAL BANK OF ARIZONA, NASSAU BRANCH LASALLE NATIONAL BANK
THE SANWA BANK LIMITED UBFAF BANK LIMITED
UBAN-ARAB JAPANESE FINANCE LIMITED
EXPORT-IMPORT BANK OF THE UNITED STATES
Provided
US \$131,580,000
And a Further Guarantee of
US \$116,960,000
Under which funds will be provided by
PRIVATE EXPORT FUNDING CORPORATION (PEFCO)
EXPORT CREDITS GUARANTEE DEPARTMENT
Guaranteed
£72,486,390
Agent
FIRST CHICAGO LIMITED
KOREA MERCHANT BANKING CORPORATION
Assisted in this Transaction
This announcement appears as a matter of record only.

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY
SAGA PETROLEUM A.S. & CO.
U.S. \$50,000,000
MEDIUM TERM LOAN
MANAGED BY
CITICORP INTERNATIONAL DEN NORSKE CREDITBANK BERGEN BANK GROUP
ANDRESENS BANK A/S UNION BANK OF NORWAY LTD
AND PROVIDED BY
CITIBANK, N.A. DEN NORSKE CREDITBANK (LUXEMBOURG) S.A.
THE BANK OF NOVA SCOTIA CHANNEL ISLANDS LIMITED
THE CHASE MANHATTAN BANK N.A.
COMPAGNIE FINANCIERE DE LA DEUTSCHE BANK AG CREDIT LYONNAIS
TEXAS COMMERCE BANK N.A. UNION BANK OF SWITZERLAND, LONDON
BERGEN BANK INTERNATIONAL S.A. ANDRESENS BANK INTERNATIONAL S.A.
BANQUE NORDEUROPE S.A.
DEN NORSKE CREDITBANK
AGENT
MAY 26, 1977

Handwritten signature or stamp at the bottom of the page.

INTERNATIONAL COMPANY NEWS

THE SECURITIES RANK

ESCOM attracts foreigners

BY RICHARD ROLFE IN JOHANNESBURG

SOUTH AFRICA'S "other currency," the Securities Rand, has been bid up from its 1977 low of 64 cents (U.S.) as high as 77 cents (U.S.) and after boiling over from the latter level, is now 74 cents (U.S.). Based on the official parity of R2.15 to R1, this means that the Securities Rand rate, expressed as a discount, has narrowed from 44 per cent. at end-1976 to the recent low point of 33 per cent. Some brokers expect the firm trend to continue, and predict a further improvement to 30 cents (U.S.) or so, implying a further narrowing in the discount to about 22 per cent. It is interesting to note that the improvement which has occurred to date has been without any particular change in what outsiders see as the fundamentals of South Africa's political scene. All the same Securities Rands are held by non-residents, and are subject to unimpeded supply and demand factors, so the recent hardening in the currency can only mean that there are more buyers than sellers of South African securities as a whole. While the broad spectrum of overseas investment opinion is currently against

Sony to increase dividend

By Donald Maclean

SONY CORPORATION'S non-consolidated after-tax profit rose 26 per cent to a record ¥12,830bn. in first six months of its financial year, to April 30, from ¥10,150bn. in the same period last year. Sales gained 17 per cent, to a record ¥194,300bn., from ¥165,980bn. A dividend of ¥10 is recommended against ¥7.5.

The records were achieved, according to the company, in spite of "difficult conditions" caused mainly by the world economy's slow recovery. Sony looked forward to reporting new peaks in its non-consolidated net sales and net income for the current year. Sony's consolidated earnings for the quarter and half year ended April 30 are due to be announced on Monday.

New Swire Prop. stock active

By Daniel Nelson

HONG KONG, June 13. ABOUT 300,000 Swire Properties shares changed hands on the Hong Kong stock exchange in the opening minutes of the first days trading since its flotation of 55m. new shares. The closing price was HK\$2.85 with the issue price at HK\$2.75.

HUTCHISON and Hongkong and Whampoa Dock shares also resumed trading after a suspension of seven trading days in the wake of the announcement of a proposed merger. Hutchison closed at HK\$2.425 compared with HK\$3.45 when last traded on June 1 and Hongkong Dock at HK\$12.40 (11.50).

ANDERSON (HOLDINGS) and Asia Stone announced that they would seek relisting from June 14 following agreement that Anderson will offer three of its 50 cent shares for five HK\$1 shares of its fellow Hutchison subsidiary.

New Bank approved

THE ECONOMIC COMMITTEE of the Egyptian People's Council (Parliament) yesterday approved a Bill permitting the establishment of the Faisal Islamic Egyptian Bank, the Egyptian Middle East News Agency reported, says IPS in Beirut. The new bank is to have starting capital of \$8m. with 51 per cent of the capital subscribed by Egypt and the remaining 49 per cent by Saudi Arabia.

Japanese equities rank higher

BY DOUGLAS RAMSEY

JAPANESE companies moved strongly upwards in the ranks of world-class corporations in 1976 as reflected in the worth of their equity shares outstanding on world Stock Exchanges, according to a survey by the magazine Nikkei Business.

Since 1972 the bi-weekly has published a unique annual survey of the top 1,000 companies in the world. On the basis of share value at last December on its 21 major stock exchanges worldwide, Nikkei Business calculates in dollars the equity "size" of major public corporations. IBM again came in first in 1976 with a total value of stock estimated at \$41.8bn. All top 10 companies in the survey were American.

For the first time, however, a Japanese company — Toyota Motor — crashed the ranks of the top 25. Toyota more than doubled (up 117 per cent) the total value of its stock on major exchanges to \$2.1bn. Further down the list, at No. 53, is Nissan Motor with total stock value estimated at \$3.1bn. (up 92.5 per cent.). Among Japanese

companies, Toyota remained on top from the year before, but Nissan climbed from fifth to second place. Matsushita Electric Industrial remained in third place with equity shares valued at \$2.7bn. but Nippon Steel dropped from second to fourth with shares worth an estimated \$2.6bn.

According to Nikkei Business, American companies accounted for 576 of the top 1,000 on its list, more than ever before. Japan ranked second with 172 companies and Britain stayed third on the list but dropped from 73 to 52 companies.

Japanese interest in "total equity value" is increasing as a result of the need to "make friends" in export markets by listing on foreign stock exchanges. In the 1960s Sony, which ranks sixth among the Japanese companies, pioneered the trend towards attracting overseas shareholders as an essential part of the export sales effort. More recently, Honda Motor has gone strongly into American and European depositary rights:

three stocks, of which the short-dated, a five-year stock at par of 100 and yielding 12.15 per cent., has proved particularly attractive. With the Securities Rand discount at 32 per cent. at the time this stock was issued, non-residents were able to take it up at R53 per R100 nominal of stock, giving a yield to redemption of 28 per cent. No further ESCOM issues are scheduled this year, but non-residents have been buying Securities Rands and bidding holders of existing stock which have been pushed to a premium. To the non-resident, the stock is repayable in transferable currency on redemption.

As an indication of resumed overseas interest, this might be welcome, but the problem is that the sort of yields obtainable on ESCOM stock militate against any serious interest in local industrial shares. Some brokers suggest that it is a misuse of the Securities Rands market to buy ESCOM stock, on the grounds that it does not bring new money into South Africa or enhance the country's borrowing posture to sell overseas stock on a yield of 23 per cent.

Pre-tax profit at United Tobacco, which is 72 per cent. controlled by BAT, was down sharply in the six months to end-March from R2.9m. to R1.5m., while turnover was little changed at R35m. But the figures represent a useful turnaround from the second half of last year, when the pre-tax figure was down to 0.9m. because of heavy losses in the group's foods division.

For the latest half-year, earnings per share are down to 5c., compared with 30c. for the six months to March 1976 and a net loss of 3c. per share for the six months to September 1976, which left an overall figure of 17c. for the last financial year. The final dividend was omitted last year, but a 9c. interim was paid; now no interim has been declared and the Board has indicated unofficially that dividend payments may not be resumed for two or three years.

At the bottom of United's difficulties lies its declining share of the local tobacco market, which is dominated by the Rembrandt Group, to which the food division's losses have been an unfortunate complement. The shares stand at 88c. against net worth in the last balance sheet of 400c.

The top 10 on Nikkei Business' world list are: IBM, AT & T, Exxon, General Motors, Eastman Kodak, Sears Roebuck, General Electric, Standard Oil of Indiana, Dow Chemical and Procter and Gamble. The top Japanese companies were as follows:—

Japanese equity values world rankings

Table with columns: Name, Ranking, Equity value \$m., % rise. Includes Toyota Motor, Nissan Motor, Matsushita, Nippon Steel, Hitachi, Sony, etc.

MEDIUM TERM CREDITS

Another \$200m. for Mexico

BY FRANCIS GHILES

NACIONAL FINANCIERA, the State-owned Mexican development bank is raising \$200m. through a consortium of banks led by Libra Bank and Lloyds Bank. The amount will be increased if reception is good. Participating banks have a repayment option every two years and final maturity is ten years.

The interest rate over Libor rises from 1 1/2 per cent. for the first two years to 1 3/4 per cent. for the following two, 1 1/2 per cent. for the next two and 1 1/4 per cent. for the last two periods of two years. Libra Bank believes there is growing confidence in the Mexican economy and apart from the front end fee is offering participating banks a sweetener in the form of a further fee on first renewal.

This means that the effective margin for the first six years will be 1 1/2 per cent. over Libor rising to 1 1/4 per cent. for the last four.

Redemptions will remain anonymous and banks which do not wish to renew will simply have to inform the agent bank which will have no obligation to reveal the name of the bank to the borrower.

These terms are not noticeably different from those obtained by Mexico for the Banco Nacional de Ohrs a few weeks ago: 1 1/2

per cent. over Libor for the first two years rising to 1 1/4 per cent. for the last three. Nacional Financiera's last venture into the market was a private placing of 6m. Bahraini dinars of five year notes bearing an 8 1/2 per cent. interest rate.

Mexico's Banco Nacional de Credito Rural has raised Sw.Frs.90m. through a group of banks led by Singer and Friedlander AG in Zurich. Maturity is five years and the spread over Libor is five years with a minimum interest rate of 6 1/2 per cent.

Meanwhile it is now known that all Mexican loans booked with U.S. banks 4 1/2 per cent. are due to mature in the twelve months to the end of 1977.

Another Latin American Bank has signed a loan in Swiss Francs, again through Singer and Friedlander in Zurich: Banco Nacional de Cuba raised Sw.Frs.50m. for five years at a margin understood to be 1 1/2 per cent. over Libor. The minimum interest rate is 6 1/2 per cent. in Zurich.

Investment Bank loan being raised through a consortium of banks led by Dresdner Bank will be signed tomorrow in Frankfurt. Terms are unchanged: maturity of 6 1/2 years and a split rate of 1 1/4 per cent. over Libor. Nineteen banks have underwritten the loan for \$26.6m. each but Dresdner Bank is understood to have sold \$140m. on the open market so the respective commitments of the underwriters are expected to be decreased. The terms are viewed as favourable in Moscow but have not surprised the market. Spreads are coming down and more and more countries are being successful in raising money at under 1 per cent. over Libor.

This loan is the first attempt by Comecon banks to raise a loan on the market since the collapse earlier this year of loan negotiations for the International Bank for Economic Co-operation, the other Moscow based Comecon bank.

The IBEC loan fell through shortly before it was to be signed when lawyers expressed doubts as to whether the bank could be held accountable for any default under British law. The present loan will be registered under German or Luxembourg law and this appears to have removed the difficulties raised earlier this year.

The \$500m. International In-

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

Table of Eurodollar bond prices with columns for Bid, Offer, and various bond types like STRAIGHTS, CONVERTIBLES, D-MARK BONDS, and FLOATING RATE NOTES.

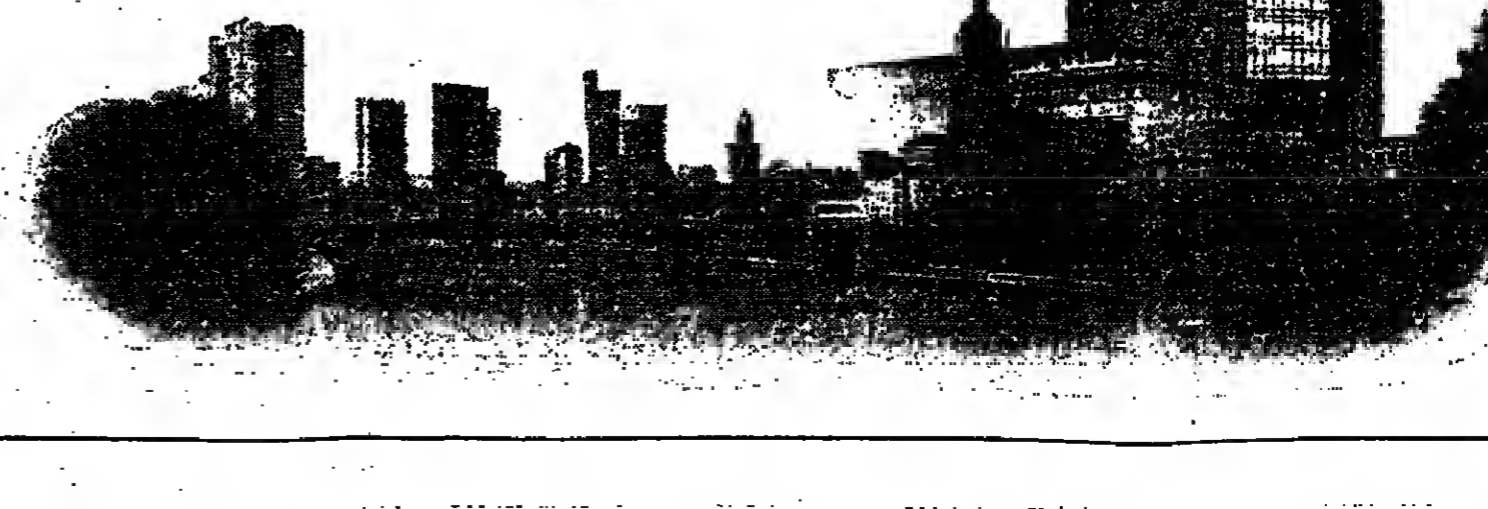
A new era at Hessische Landesbank

- Financial base strengthened substantially - Client-oriented restructuring of service facilities

After several years of difficulties resulting primarily from real estate loan losses, Hessische Landesbank is taking important steps to reshape the course of its activities. Headquartered in Frankfurt, Hessische Landesbank ranks among West Germany's top ten banking institutions. Concentrating on wholesale banking, it offers a broad range of domestic and international services including trade financing, foreign exchange dealing, leasing and factoring, security dealing and underwriting operations. Refinancing is facilitated through issuing own bearer bonds. Hessische Landesbank is a government-backed regional bank and acts as banker to the State of Hesse and liquidity manager for the savings banks organization (local universal banks) in Hesse.

The Bank's new management, an enterprising team of experienced professionals, is firmly committed to pragmatic banking principles and to a consistent pattern of measured growth. It has increased its business in its traditional areas of activity. At the same time, numerous improvements in the Bank's infrastructure have been made, and further new concepts to broaden its facilities are being introduced to serve the diversified needs of a growing clientele.

Hessische Landesbank Junghofstrasse 18-26, D-8000 Frankfurt/Main Telephone: 0511/32-1 Girozentrale Telex: 0411333 Cable: Girozentrale





# FARMING AND RAW MATERIALS

## Fresh gains at London tea sales

By Our Commodities Staff

EXPORT demand for Sri Lankan teas pushed up prices for quality grades at yesterday's London auction. However, traders commented that there was little available of the right grade.

Dealers were anxious to stress that in their view the increase in the quality price was not to be taken as a sign of a fresh overall upsurge. Price was 275p a kilo compared with 250p at the last sale on May 30. There was no auction last week because of the Jubilee holiday.

Mr. Peter Banyard, president of the London Tea Traders' Association, said demand was good for the other grades with prices rising slightly.

Medium grades sold for 166p a kilo compared with 164p at the last auction, and plain grades gained 10p a kilo, rising to 154p.

The market decline appears to have stopped following the rapid fall from high prices in April. And the trade is expecting a one- or two-month spell of price stability.

## EEC move to curb Irish cattle sales to Ulster

By Robin Reeves

THE COMMON Market's monetary compensatory amount export subsidies on exports of live cattle from the Republic of Ireland to the north are to be suspended from Wednesday.

The suspension was approved by the Brussels Commission in an attempt to staunch the flow of Irish cattle across the border to abattoirs in Northern Ireland. The food has been caused by traders taking advantage of the differential between the U.K. and Irish rates for the green pound.

Because of this difference, cattle exported to the north collect an EEC monetary subsidy under the green currency arrangements. This is worth about a quarter of the intervention price, and offers a considerable incentive to would-be exporters. As a result meat factories in the South have been complaining that they have been starved of business.

The Irish Business Bureau has claimed that in April as many as

20,000 head of Irish cattle went North for slaughter whereas only about 3,500 head crossed the border for killing in the Republic.

The net effect has been a loss of work for Irish abattoirs which have been reportedly working at between 35 and 40 per cent of capacity for some months.

Northern Ireland's meat factories, as well as enjoying the influx of "bonus" cattle, are at present collecting an exchequer-paid employment subsidy worth £1m a week to the industry. This was introduced last October following agreement among the Common Market agriculture ministers to the opening of a gap between the British and Irish green pound rates.

Commission sources said that the monetary compensatory amount subsidies would not be reinstated until the U.K. Government stopped paying the optional subsidy to meat factories in the north.

BRUSSELS, June 13.

The subsidy was originally authorised to allow Northern Ireland's meat factories to compete for supplies of live cattle with bidders in the Republic who were paying higher prices.

However, it quickly became apparent that the employment subsidy was not working properly and over-compensating for the differences on the two sides of the border.

The problem was raised before the council of agriculture ministers in Brussels last month by the Irish Minister, the Irish Minister.

It was passed back to the British and Irish ministers for bilateral talks. Ministry officials took over and agreed that the U.K. subsidy was distorting trade.

The only cure acceptable to both sides was the suspension of the community export subsidy on south-north trade in live-stock.

## Sugar talks to start next month

LONDON-BASED representatives of the principal sugar importing and exporting nations meet tomorrow in London to-day to set the agenda for a further session of the UN sugar conference.

Mr. Ernest Jones, secretary, chairman of the UN talks which became deadlocked recently in Geneva, is obviously eager to retain as much momentum as possible, and press ahead with the negotiations.

Mr. Jones-Parry, who is also executive director of the International Sugar Organisation, said that the next session of the UN talks to be held in London, would start on July 20 and last for 10 days.

The aim is to draft a plan for holding and financing world buffer stocks of sugar. These would be the centrepiece of a new International Sugar Agreement.

World sugar values came under further pressure yesterday as the price for raw sugar was cut to 1113 cents a tonne on the futures market on the October position set a further 22.50p from Friday, falling to 1112.50p. During the morning in New York, futures slumped to lows for the season. Heavy selling pushed the July price down to 7.84 cents a pound.

Meanwhile, in Manila, president Ferdinand Marcos was warning that the Philippine sugar industry faced a similar situation because of low world prices.

The Taiwan Government is also expected to cut over-valuation of the state-owned Taiwan Sugar Corporation. The 1977/78 crop quota would be limited to 750,000 tonnes—320,000 tonnes less than this year's production.

# Zinc producers fight N.Y. futures plan

BY A CORRESPONDENT

ZINC FUTURES trading may return to the Commodity Exchange Inc. in New York but only over the protestations of zinc producers and consumers alike.

The Commodity Futures Trading Commission announced last week it will hold a public hearing on July 13 on the proposed new contract for the Commodity Exchange Inc. (Comex).

The Commission has received numerous letters, many of them representing the views of zinc producers, and the large majority expressed strong opposition to the contract.

"In order to be in a position to evaluate fully the basis for the opposition and to assure that zinc trading in zinc would not be contrary to the public interest, the Commission has decided to explore the issues raised by the industry and the Comex in a public hearing," it said.

The Commission is particularly interested in four main issues: the use of the proposed zinc contract as a price basis for zinc; the effect of the proposed contract on the zinc futures market; the specific terms and conditions of the contract; and the effect of the contract on the zinc market.

The sole exception of Bunker Hill Company, the zinc producer in North America, has disparaged the idea of a zinc market here. Consumers—especially in the alloying and engineering industries—most directly affected by the plan, have also been nearly unanimous in their opposition, preferring instead the more traditional North American system of buying from producers at the producer price while only debbing

bedging of copper scrap, a very large volume market in its own right. Toll-refined scrap alone accounts for more than 10 per cent of total U.S. refinery output.

In zinc, however, the scrap market is far less organised, in large part because so much of the consumption is either for galvanised parts or in an alloyed form. The absence of scrap merchant participation in the Comex futures market could weaken the proposed contract.

The bulk of interest in the planned futures market is expected to come from the metal trading community, encouraged by the prospects of being better able to hedge their stocks. The possibilities of arbitrage with the London Metal Exchange is also an attraction to those companies engaged in similar arbitrage in copper.

The zinc contract was announced in March last year when consumer interest in the existing free market appeared to be waning, especially as an increasing proportion of U.S. zinc supplies are now being imported. Commission officials were optimistic that trading might begin by September last year, but that came the market scandal on the New York Mercantile Exchange, the silver squeeze in the Chicago Board of Trade and the decision by the Comex to restrict the rules enforcement in the exchanges. Comex, named with the other New York exchanges as being particularly lax, had the zinc contract held up until it complied.

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## Potato record in Cyprus

By Our Own Correspondent

NICOSIA, June 13.

EXPORTS of Cyprus spring crop potatoes this year are expected to reach 160,000 tons, yielding £18m. in foreign exchange, according to Mr. A. Piriades, the Minister of Commerce and Industry.

Speaking at Larnaca harbour, where he watched the packing and loading of potatoes, the Minister said this year's potato crop was a record in production and exports.

Potatoes have become the island's main agricultural export in recent years, replacing citrus. Potato exports last year brought in £17.7m. Citrus followed with £5.1m, a slight drop over 1975.

Other key commodities were lemons, fresh vegetables and carrots, making a total earning of £33.8m. For the first time in several years, food exports exceeded food imports by £1.7m.

## Coffee prices at five-month low

By Richard Mooney

THE DECLINE in London coffee futures accelerated yesterday, taking prices to the lowest levels for nearly five months. With the September position losing £175 a tonne yesterday to £2,532.5 a tonne, nearby coffee has now fallen over £1,100 a tonne in four weeks.

There were no new fundamental factors to explain the fall which dealers saw as a continued reaction to the recent lack of physical coffee buying.

Coffee prices would normally be expected to be fairly steady at this time of year as the traditional Brazilian frost season does not reach its peak for another month.

But many speculators bought coffee a month ago following the cold-wind scare in Brazil, and a reaction to the recent lack of physical coffee buying.

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As a result there was production drop in the various output lines. Metal grade output dropped from 814,000 tons in 1975 to 301,000 tons; calcined bauxite from 691,000 to 662,000 tons, and alumina from 294,000 tons to 247,000 tons.

Referring to this year, Mr. Thompson said: "Some weakness in the steel industry in Western Europe, led a consequential effect on bauxite."

But he added that it has not affected prices or orders, merely that some buyers have delayed for shipments to be delayed for a number of weeks. Mr. Thompson said the industry has been meeting its compensation payments since 1971 and he had no reason to believe it would not continue to do so.

Support for the consumption cut was provided yesterday by U.S. roasting figures published by Paton and Co. These show that in June this year 7,560,000 bags (60 kilos each) of coffee had been roasted in the U.S. compared with 9,460,000 of the same date last year. During the corresponding period of 1975 U.S. roasting totalled 8,265,000 bags.

Cocoa prices also declined in London yesterday as a beset mood replaced the recent buoyancy which had been encouraged by a report that the U.K. Government would allow a 10 per cent increase in cocoa duty.

Persistent selling pushed the September position down to £2,535 a tonne at one time but by the close this position had recovered to and the day £46.75 lower at £2,717 a tonne.

## U.K. FISHMEAL

U.K. production of fishmeal last year was 81,179 tonnes and fish body oils 16,782 tonnes. The fish body oil production was 16,782 tonnes. The fish body oil production was 16,782 tonnes.

## Guyana bauxite problems

By Richard Mooney

THE GUYANA bauxite industry had a slight increase in sales last year but a steep decline in profits, mainly due to a reduction in production. Mr. Pat Thompson, chairman, said here.

Mr. Thompson said that sales by the two companies operating in the industry, which are wholly state-owned, reached \$1,310m. from \$1,285m. in 1976. Profits after tax were \$82m. from \$131m.

Mr. Thompson gave four reasons for the poor showing by Guyana and the industry as a whole. Exceptionally heavy rainfall which disrupted mining and affected maintenance works; technical problems at the alumina plant at Guyana; the strike at the Alcan smelters in Canada which caused Alcan to cut its purchases; and manpower problems.

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## Rubber pact 'task force'

By Our Commodities Staff

A SPECIAL "task force" made up of representatives from leading producers and users of natural rubber, is to report by the end of November prospects for an international rubber agreement.

This was agreed at the end of the seven day Unctad meeting in Geneva last week. The task force will submit recommendations to a further Unctad meeting planned for February next year, when a definite decision on whether or not to continue negotiating an international rubber pact to stabilise prices and markets will be made.

## Copper down despite stocks fall

By John Edwards, Commodities Editor

A BIGGER than expected fall in copper stocks held in the London Metal Exchange warehouses brought a firmer tone in early trading on the market yesterday.

But in the afternoon, when the New York copper market opened on a weaker note, prices fell back to close down on the day.

Cash wirebars after closing at £67.50 lower at £73.75 a tonne drifted further down on the late kerf in a market still full of "bearish" rumours and

depressed by the declines in Chicago grains, and silver that put further pressure on speculators' margins.

The fall in copper stocks of 7,550 tonnes reduces the total warehouse holdings to 597,000 tonnes—below 600,000 tonnes for the first time since the beginning of the year. The all-time peak total of 624,300 tonnes was reached at the end of February, but stocks have only declined noticeably during the past three weeks with a fall of nearly 18,000 tonnes altogether.

However, the market had discounted last week to a large extent a fall in stocks and despite some trade buying interest in it quickly proved vulnerable to renewed selling pressure in the afternoon.

The fall in tin was limited by a decline in stocks, which were cut by 445 to a total of 7,640 tonnes. Lead stocks were also down by 400 to 67,525 tonnes, but zinc stocks rose by 2,925 to 92,650 tonnes. LME silver holdings were unchanged at 37,070,000 ounces.

## COMMODITY MARKET REPORTS AND PRICES

### BASE METALS

COPPER—Little change in the London market although an earlier recovery in the price of copper wirebars was not expected of a price decrease, but a further decline in the morning. There was a good demand around 70-75 with more trade interest than in the afternoon.

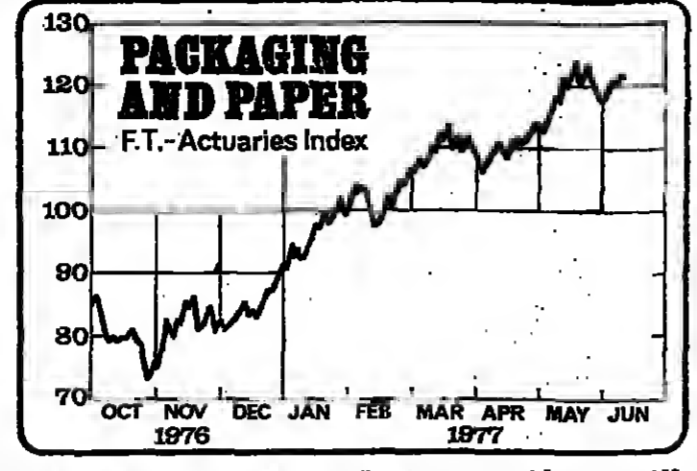
Market: Three months 251, 251.5, 252, 252.5, 253, 253.5, 254, 254.5, 255, 255.5, 256, 256.5, 257, 257.5, 258, 258.5, 259, 259.5, 260, 260.5, 261, 261.5, 262, 262.5, 263, 263.5, 264, 264.5, 265, 265.5, 266, 266.5, 267, 267.5, 268, 268.5, 269, 269.5, 270, 270.5, 271, 271.5, 272, 272.5, 273, 273.5, 274, 274.5, 275, 275.5, 276, 276.5, 277, 277.5, 278, 278.5, 279, 279.5, 280, 280.5, 281, 281.5, 282, 282.5, 283, 283.5, 284, 284.5, 285, 285.5, 286, 286.5, 287, 287.5, 288, 288.5, 289, 289.5, 290, 290.5, 291, 291.5, 292, 292.5, 293, 293.5, 294, 294.5, 295, 295.5, 296, 296.5, 297, 297.5, 298, 298.5, 299, 299.5, 300, 300.5, 301, 301.5, 302, 302.5, 303, 303.5, 304, 304.5, 305, 305.5, 306, 306.5, 307, 307.5, 308, 308.5, 309, 309.5, 310, 310.5, 311, 311.5, 312, 312.5, 313, 313.5, 314, 314.5, 315, 315.5, 316, 316.5, 317, 317.5, 318, 318.5, 319, 319.5, 320, 320.5, 321, 321.5, 322, 322.5, 323, 323.5, 324, 324.5, 325, 325.5, 326, 326.5, 327, 327.5, 328, 328.5, 329, 329.5, 330, 330.5, 331, 331.5, 332, 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STOCK EXCHANGE REPORT

Buyers continue to hold off at start of new Account Equity leaders narrowly mixed with index 1.3 off at 448.1

Account Dealing Dates... First Declared Last Account... Buyers continue to hold off at start of new Account Equity leaders narrowly mixed with index 1.3 off at 448.1

Various clients at a price around 23p per share... Ratner firm... BP on offer... Golds down again



De La Rue higher... Banks quiet... Gifts drift down... Various news items and market commentary.

had reached agreement in principle with Bank... Golds down again... Various news items and market commentary.

Reports of a civil disturbance in Johannesburg caused South African Gold Shares to come under additional selling pressure after they had drifted throughout the morning reflecting the further weakness in the metal price, which was finally 23.75 down at 138.25 per ounce—the lowest since 1974.

Options traded... Rises and falls yesterday... Various news items and market commentary.

FINANCIAL TIMES STOCK INDICES table with columns for various stock indices and their values.

HIGHS AND LOWS table showing high and low prices for various stocks.

NEW HIGHS AND LOWS FOR 1977 table listing new high and low prices for various stocks in 1977.

OPTIONS TRADED table showing details of options traded, including dates and prices.

ENTERTAINMENT GUIDE

Opera & Ballet... Theatres... Various listings for theatrical performances and events.

RECENT ISSUES

Table listing recent issues of various companies, including titles and prices.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for stock name, price, and other details.

"RIGHTS" OFFERS

Table listing rights offers for various companies, including terms and conditions.

ACTIVE STOCKS

Table listing active stocks with columns for stock name, price, and other details.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS

Table showing equity groups and sub-sections with various financial metrics and indices.

FIXED INTEREST PRICE INDICES

Table showing fixed interest price indices for various government and corporate securities.

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AUTHORIZED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of Authorized Unit Trusts including Abbey Unit Tr. Mgrs. Ltd., Allied Hambro Group, and various international and domestic funds.

Table of Offshore and Overseas Funds including Arbuthnot Securities (C.I.) Limited, Fidelity Mgmt. & Res. (Bda.) Ltd., and various international investment funds.

Table of Unit Trust Managers and related financial data, including details on various trusts and their performance.

Table of Insurance, Property, and Bonds, listing various insurance policies, property investments, and bond offerings.

BASE LENDING RATES

Table of Base Lending Rates for various banks and financial institutions, including A.B.N. Bank, Allied Irish Banks, and others.

CINEMAS

Table of Cinemas listing various film titles, showtimes, and cinema names across different locations.

HEATRES (Cont)

Table of Theatres (Cont) listing various theatrical productions, cast members, and theatre names.

HEATRES (Cont)

Table of Theatres (Cont) listing various theatrical productions, cast members, and theatre names.

INSURANCE, PROPERTY, BONDS

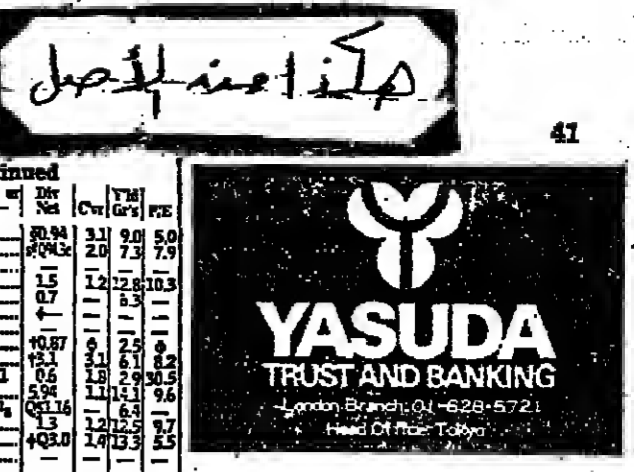
Table of Insurance, Property, and Bonds, listing various insurance policies, property investments, and bond offerings.

CLIVE INVESTMENTS LIMITED advertisement with contact information and a list of services including Royal Exchange, Index Guide, and various insurance products.

INSURANCE BASE RATES table listing various insurance products and their corresponding rates.







INDUSTRIALS—Continued

Table of industrial stock prices including companies like British Leyland, Ford, and various engineering firms.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stock prices, including companies like British Leyland and various car manufacturers.

PROPERTY—Continued

Table of property stock prices, including investment trusts and real estate companies.

TRUSTS—Continued

Table of trust stock prices, including various investment and utility trusts.

TRUSTS—Continued

Table of trust stock prices, including various investment and utility trusts.

MINES—Continued

Table of mine stock prices, including companies like Anglo American and various mining firms.

INSURANCE

Table of insurance stock prices, including companies like Prudential and various insurance firms.

PROPERTY

Table of property stock prices, including investment trusts and real estate companies.

TRUSTS, FINANCE, LAND

Table of trust, finance, and land stock prices, including various investment and utility trusts.

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Financial data and market information at the bottom of the page, including regional markets and options.



## Anglo-U.S. air talks hit stormy patch

BY IAN HARGREAVES

JUST OVER a week before the Anglo-U.S. air services agreement expires, negotiations between the two sides appear to have run into their stormiest patch since talks began several months ago.

At the end of last week the U.K. negotiators, led by Mr. Patrick Sboveton, were confident they were edging towards agreement on most of the big issues and that this would permit extension of the June 22 deadline to allow for details to be completed.

The U.S. delegation returned yesterday from a working weekend during which it had, apparently, received instructions from Washington to harden its negotiating position.

Although the Americans were last night regarding the changes as primarily matters of pre-emption, the changes were enough to awaken British fears that the possibility of a fight between Britain and the U.S. being baited next week has not vanished.

The two sides seem to be as far away as ever on the crucial question of capacity on North Atlantic routes. Britain wants a precise official regulator, whereas the U.S. prefers to let market forces control competition, with only marginal Government interference on the question of new capacity.

The toughness of the American stance is galling to the British

side, which is believed to have abandoned the most sacred of its original principles — that of restricting London-New York services to one airline from each country.

On the question of so-called Fifth Freedom rights — which allowed U.S. airlines to earn extra money last year on eastward services out of London — the U.S. has agreed to substantial reduction of operations but is, in its turn, insisting that British Airways' American business drawn from the European mainland should be similarly reduced.

What will happen at to-day's resumption of talks is anyone's guess. The Americans believe that their weekend summary of basic points must form the basis of agreement and the U.K. regards that document as totally unacceptable.

The U.K. team is cheered by the memory of the Americans' previous abandonment of ultimatum, the most recent being the one left by Brock Adams, the U.S. Transportation Secretary, to pull out of the talks if they were not completed by June 2.

There is keen British Government concern that protraction of the air service talks can only harm the progress of the attempt to reach a new agreement with Concorde in New York.

That issue was not raised during yesterday's negotiations, but it was a bargaining counter at previous sessions.

## Left-wingers avoid home policy clash

BY PHILIP RAWSTORNE

LABOUR Left-wingers last night avoided another clash with the Government over a future programme of more State intervention and public ownership.

The party's Home Policy Committee under Mr. Anthony Wedgwood Benn, Energy Secretary, decided to tone down a draft document giving detailed economic and industrial objectives.

The paper, which was provocatively titled "Mid-term Manifesto," was quietly renamed "A Campaign Document" to emphasise that no attempt was being made to impose a programme on the Cabinet.

Mr. Callaghan and several of his Cabinet Ministers had taken exception to the document's reiteration of demands for the nationalisation of key companies in the pharmaceutical and other sectors of industry. These were rejected in 1974.

The draft document will be submitted to be Labour Party-TUC liaison committee next week, it says capitalising has called the option and calls for a national economic and industrial plan, a national planning commission and a new industry Act.

It pledges a new Labour Government to much greater intervention in industry through a rapid expansion of the activities of the National Enterprise Board and through compulsory planning agreements.

The document will be rewritten in more general terms. Mr. Eric Heffer, former Industry Minister, who took over the chair last night after Mr. Callaghan, said at a meeting of the ESC Energy Ministers in Luxembourg, said the new version would outline the achievements of the Government and indicate the party's basic philosophy and objectives.

The Home Policy Committee, which will ask the TUC to join it in approaches to the Government for further increases in pensions and for the dropping of proposals to increase the cost of school meals this year, hopes to find more support from trade union leaders with a more conciliatory approach.

## Tribune ECC poll call

BY RUPERT CORNWELL

ON THE EVE of to-day's vital meeting of the Parliamentary Labour party, Left wing MPs have increased their pressure on the Prime Minister over direct elections to Europe by demanding that the Government drops its plans for the controversial legislation.

Last night's call from the 80-strong Tribune Group can only complicate. Mr. James Callaghan's delicate task, which will start with a heated party session and end with Thursday's Cabinet meeting, at which a decision on tactics is due to be made.

The Tribune's move was coupled with renewed demands for Britain to withdraw from the EEC. Backbenchers circulated a Commons motion to that effect last night which laid particular emphasis on the rapid rise in food prices allegedly due to the Community.

It is still not certain whether Mr. Callaghan, possibly faced with threats of resignation from die-hard opponents of direct elections in the Cabinet, will permit an unprecedented free vote for Ministers.

Should this happen, however, the Left wants the five or six dissenting Cabinet members who include Mr. Anthony Wedgwood Benn, the Energy Secretary, and Mr. Peter Shore, Environment Secretary, to have the right not only to vote against the Bill but to campaign against it, both inside Parliament and in the country.

## Weather

**U.K. TO-DAY**  
RAIN at sea, cloudy.  
London, S.E. and Cent. S. England, Anglia, E. Midlands Mostly cloudy, outbreaks of rain. Wind E, light. Max. 19C (66F).

**E. and N.E. England**  
Cloudy, rain at times. Wind N.E. moderate. Max. 16C (61F).

**W. Midlands, Cent. N. England**  
Cloudy, outbreaks of rain. Wind N.E., moderate. Max. 18C (64F).

**Channel Is., S.W. England, Wales**  
Bright intervals. Rain at times. Wind N.W., moderate. Max. 15C (59F).

**N.W. England, Lakes, I. of Man, Scotland, N. Ireland**  
Mostly cloudy. Rain at times. Wind N.E., moderate. Max. 14C (57F).

**Outlook:** Mostly dry in S. and W. Showers in N. and E. **Fallen count:** 47 (low). Forecast: Higher.

## BUSINESS CENTRES

City	Y'day	Mid-day	V'day	City	Y'day	Mid-day	V'day
Alexandria	25	25	25	Madrid	15	15	15
Amsterdam	27	27	27	Manila	15	15	15
Algiers	23	23	23	Mexico	15	15	15
Bahia	23	23	23	Moscow	15	15	15
Bangkok	23	23	23	New York	15	15	15
Bombay	23	23	23	Osaka	15	15	15
Buenos Aires	23	23	23	Paris	15	15	15
Calcutta	23	23	23	Rangoon	15	15	15
Canton	23	23	23	Singapore	15	15	15
Cebu	23	23	23	Taipei	15	15	15
Colon	23	23	23	Tokyo	15	15	15
Hankow	23	23	23	Yokohama	15	15	15
Harbin	23	23	23				
Hong Kong	23	23	23				
Kobe	23	23	23				
London	23	23	23				
Lyons	23	23	23				
Manila	23	23	23				
Medan	23	23	23				
Shanghai	23	23	23				
Singapore	23	23	23				
Tientsin	23	23	23				
Yokohama	23	23	23				

## HOLIDAY RESORTS

City	Y'day	Mid-day	V'day	City	Y'day	Mid-day	V'day
Algeria	15	15	15	Jersey	15	15	15
Amsterdam	15	15	15	Las Vegas	15	15	15
Antwerp	15	15	15	Lisbon	15	15	15
Bahia	15	15	15	London	15	15	15
Bangkok	15	15	15	Madrid	15	15	15
Bombay	15	15	15	Manila	15	15	15
Buenos Aires	15	15	15	Mexico	15	15	15
Calcutta	15	15	15	Moscow	15	15	15
Canton	15	15	15	New York	15	15	15
Cebu	15	15	15	Osaka	15	15	15
Colon	15	15	15	Paris	15	15	15
Hankow	15	15	15	Rangoon	15	15	15
Harbin	15	15	15	Singapore	15	15	15
Hong Kong	15	15	15	Taipei	15	15	15
Kobe	15	15	15	Tokyo	15	15	15
London	15	15	15	Yokohama	15	15	15
Lyons	15	15	15				
Manila	15	15	15				
Medan	15	15	15				
Shanghai	15	15	15				
Singapore	15	15	15				
Tientsin	15	15	15				
Yokohama	15	15	15				



Chief Inspector Robert Hay (right) orders two policemen to stop dragging a picket during the violent scenes outside Grunwick Processing Laboratories' factory in Willesden, N.W. London, yesterday.

## Booth moves to intervene in Grunwick dispute

BY CHRISTIAN TYLER, LABOUR CORRESPONDENT

MR. ALBERT BOOTH, the Employment Secretary, is to intervene in the union recognition dispute at Grunwick Processing Laboratories, Willesden, following yesterday's violent clashes between pickets and police, the worst since the ten-month strike began.

Eighty-four people were arrested and charged with obstruction after violence which the pickets claimed was due to aggressive police tactics. Among those arrested was a BBC film cameraman and, said the pickets, a local councillor and several bystanders.

The violence — not the first seen outside the firm's factory 10 Chapter Road, Willesden — came on the first day of a week of intensive picketing designed to stop about 250 employees still at work from entering the factory.

Among many allegations was a complaint that the woman treasurer of the strike committee was dragged across the road and kicked.

Police-Supt. Francis Hickman-Smith said afterwards that the police were quite impartial. "We are put into situations like this, and we have a duty to keep the highway clear and to allow peaceful picketing."

Mr. George Ward, owner of the company at the centre of the dispute, said yesterday: "It was a scene of revolution and riot and a scene of complete anarchy. We can't crack anything."

A member of the Commission for Racial Equality, formed yesterday, he said it was not a case for the Commission at the moment.

Most of the Grunwick strikers and employees are Asians.

Grunwick is challenging through the courts the recommendation of the Advisory Conciliation and Arbitration Service that APEX should be recognised.

It has been advised in the past by the "law-and-order" pressure group, the National Association for Freedom, whose success in the Appeal Court against two Post Office unions and the Attorney-General is the subject of appeals to the House of Lords starting today.

The law on picketing, contained in the Trade Union and Labour Relations Act of 1974, states:

"It shall be lawful for one or more persons in contemplation of or in connection with a trade dispute to attend at or near (a) a place where another person works or carries on business, or (b) any other place where another person happens to be, not being a place where he resides, for the purpose only of peacefully obtaining or communicating information or peacefully persuading any person to work or abstain from working."

"If we can't crack Grunwick's, Parliament Page 14

## Continued from Page 1 IMF

Both Dr. Zijlstra and the bank's report emphasised that the success which had been achieved in financing payment deficits should not blind the world to the persistence of the very serious problem of payments imbalances. Although there had been some favourable shifts in the positions of the major individual countries, and although the U.S., in particular, was carrying part of the global current account deficit, there were ample grounds for concern.

The U.S. deficit, useful as it was at the moment for promoting world economic recovery and facilitating the payments adjustment process elsewhere, should not be allowed to get out of hand.

Mr. Teichiro Morinaga, governor of the Bank of Japan, said in an interview with a Swiss newspaper that there was a good prospect that the various measures taken by Japan to stimulate its economy, coupled with the appreciation of the yen, would produce a substantial increase in imports and a fall in exports.

Japan was prepared to let its balance of payments go into deficit.

The BIS report pinpointed the twin issues of high unemployment and inflation as the major domestic economic problems facing the industrialised world. There were no quick remedies to cure these ills.

The best way to reduce unemployment was to create an environment which boosted business confidence. This required policies designed to lead to a broad revival of investment. Capital expenditure had been lagging behind consumption and exports. As a result unemployment and excess capacities were heavily concentrated in the investment goods industries.

The fight against inflation required continuing moderation in wage increases. A strong global stimulus from government consumption was clearly undesirable at this stage. In some cases growth should be expected. This could not be a recipe for industrial countries as a whole.

The report laid special emphasis on the problems faced by countries whose domestic price increases had been compounded by a depreciating currency. It warned against the view that inflation could be overcome by an exclusive reliance on domestic restraint while a depreciating currency continued to feed inflationary expectations.

Monetary policy could play a prominent role in the anti-inflationary fight. The mere act of setting credible targets for the growth of monetary aggregates could help substantially.

## Sears in U.S. move for Avis stake

BY TERRY WILKINSON, CITY STAFF

SEARS HOLDINGS, the department store, shoe retailing, and betting shop conglomerate headed by Sir Charles Clore, is proposing to intervene in a United States battle for Avis, the car rental company, with an offer to buy up to 25 per cent of Avis for \$40m.

This was disclosed in a letter sent to Avis shareholders on Friday by the Board of Avis, which stated that it would seek more time to explore opportunities which might be more advantageous to Avis' public stockholders.

Some 47 per cent of Avis shares are held by a trustee appointed by a federal court in Hartford, Connecticut, resulting from a court order three years ago that International Telephone and Telegraph should dispose of its holding in Avis.

At that time Sears Holdings, which owns such names as Lewis's, Selfridges, Debenhams, and the William Hill betting organisation, first took an interest in Avis, but was unable to agree terms with IT & T.

Avis is now the subject of bids from Fozzi Industries of Georgia and Norton Simon, which has offered \$70m. for the trustees' 47 per cent holding. Norton Simon operations include Canada Dry Soft Drinks and Max Factor cosmetics.

The outcome of the intervention by Sears will clearly depend on the attitude of the U.S. court on Wednesday. Sears hopes that the judge will allow an adjournment to consider the implications of the new offer.

Clore tries harder Page 23

## Bass plans £8m. maltings

BY KENNETH GOODING

BASS CHARRINGTON, Britain's biggest brewing group, is to spend more than £8m. on a new malt-making complex at Burton-on-Trent.

The plant will raise production of malt by Bass at Burton from 37,000 tonnes a year to more than 84,000 tonnes.

Work on the scheme starts next month at the 50-acre Maltings. The first two units should be completed within 15 months, and storage ready to receive the 1978 harvest, and the complex completed, in 1979.

Five of the present malt-houses will be demolished and replaced by a barley-handling complex.

The old Worthington malt-houses at Burton will be closed and employees redeployed elsewhere at Burton.

## Continued from Page 1 Output prices

An obstacle to a general slowdown so far has been a high rate of increase in both the costs and prices of food manufacturers. Last month, for example, prices charged by food companies rose by 2½ per cent, because of increases in a wide range of products, in particular tea.

This index has risen by just over 27 per cent over the past 12 months compared with an increase of 20½ per cent to 298.6 (1970=100) for manufactured products generally.

There are, however, one or two brighter signs for food companies' costs with a 1½ per cent fall in the food materials index last month.

Lower prices for tea and coffee beans in world markets were responsible. This index has risen by 31½ per cent in the past year compared with a 19½ per cent increase in the index for manufacturers' raw materials costs generally to 348.1 (1970=100).

## THE LEX COLUMN

# Patchy growth at A.B. Foods

A few eyebrows were raised when the Bank of England allowed through yesterday's £30m. corporation stock issue for the City of Birmingham in the same week as the BP offer, and on the same day that a sizeable call was made on Exchequer 12½ per cent, 1982. Otherwise ahead of this morning's BP announcement the stock market had one of its quietest days of the year, the main feature being BP's 26p drop to 88½p as ideas crystallised about the issue price. The Birmingham stock, incidentally, carries a coupon a quarter of a point higher than the comparable Stockport loan last month.

1976. At some stage it ought to be an outbreak of fashioned competition. On view the slowdown in whole price inflation, when it will be very sharp — a redoubt with which the gilt-market appeared to out itself yesterday.

**Sears**

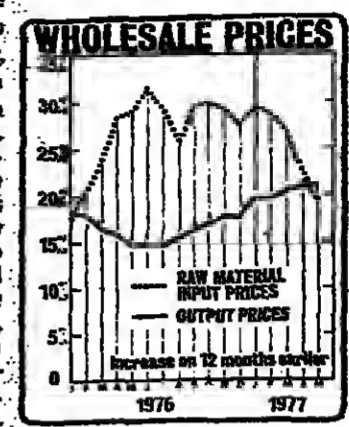
There are two immediate reactions to the news that E. Holdings is prepared to take a cash offer for up to 25 per cent of Avis Inc. One is its chances of success as a slim. The other is that an investment — on the surface at least — does not look particularly imaginative for around \$40m.

Sears' offer will only ahead if it is accepted by court responsible for a vising the disposal of 1 controlling stake in Avis. T are already two offers on table for 100 per cent of business, which per share worth only marginally less the \$21 proposed by Sears. Avis management is anxious remain independent, and may be inclined to look favourably on the U.K. approach. The same, this looks more a case of stirring up the sea to see if anything flies out an aggressive intervention what promises to be a big affair.

A few years ago, it seems Sears discussed with E.H. possibility of buying the U.S. of the business. But the was a lot lower then, and is apparently no chance, making an outright offer. Avis's earnings this year are heading up to \$2.50 a share and Sears would seek to solidify its share of earnings. But the initial return would be low, as cash-flow terms the deal take perhaps three years to off.

A holding in Avis would Sears substantial dollar investment in a multi-national. And it would have a section (financial or other) with its existing U.S. investment. It is hard to see how industry can go on pushing up prices while demand is so depressed. Already in the first quarter increased working capital, has come from cash flow in the U.K. There were signs of widespread and increased debt overseas of the industrial production rose by more than 2 per cent compared with the same period of 1976. But it is hard to see how it would restore to the sense of purpose seems to have faded in the year or two.

## Index fell 1.3 to 448.1



Wholesale output prices continued to be surprisingly buoyant in May, rising by around 1.6 per cent, despite the absence of any important special factors and the encouraging trend of raw material costs. The main input index has hardly changed for two months now. The pace of wholesale price inflation — still above 20 per cent on a year-on-year comparison — is, of course, damaging to hopes of an early deceleration at the retail price level, although this is still likely to happen in the second half of the year. For industry, however, there are favourable implications in that it appears profit margins are being significantly widened even though demand is extremely slack.

Presumably the relaxations of the Price Code last summer are beginning to have a noticeable impact on price lists. Direct cost pressures, after all, have been easing: the annual rate of increase in manufacturing employees' earnings has dropped from 19 per cent to under 12 per cent over the past year, a movement now reinforced by raw material trends.

Yet it would be premature for the equity market to look forward to a profits feast, for it is hard to see how industry can go on pushing up prices while demand is so depressed. Already in the first quarter increased working capital, has come from cash flow in the U.K. There were signs of widespread and increased debt overseas of the industrial production rose by more than 2 per cent compared with the same period of 1976. But it is hard to see how it would restore to the sense of purpose seems to have faded in the year or two.

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What underpins AB Foods is that it remains financially as strong as ever. Capital expenditure totalled \$62m. and this, plus increased working capital, has come from cash flow in the U.K. There were signs of widespread and increased debt overseas of the industrial production rose by more than 2 per cent compared with the same period of 1976. But it is hard to see how it would restore to the sense of purpose seems to have faded in the year or two.

**Results for the First Quarter 1977 (unaudited)**

	1977 1st Quarter £000's	1976 1st Quarter £000's
Sales to Third Parties	22,545	17,290
Trading Profit	3,596	1,956
Profit Before Taxation	3,122	1,499
Trading Margin	16.0%	11.3%
Earnings per 25p Ordinary Share	3.6p	1.5p

**The Chairman comments:-**

Morgan markets remain good in the United States and South East Asia, strengthening in the United Kingdom and Japan, but still weak in Continental Europe, Australia and Canada. We continue to find new opportunities for our products in most areas, be they geographical or technological. In particular, energy conservation remains a field where our materials and skills are much in demand.

Copies of the Annual Report for 1976 are obtainable from the Secretary of the Company.

**The Morgan Crucible Company Limited**  
98 PETTY FRANCE, LONDON SW1H 9EG

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